MANAGEMENTS DISCUSSION AND ANALYSIS OF

VOTI Inc.

FOR THE YEAR ENDED

OCTOBER 31, 2018

Management's Discussion and Analysis of

VOTI INC.

For the year ended October 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 October 31, 2018 and 2017 and operating results of VOTI Inc. ("the Company" or "VOTI"), a wholly-owned operating subsidiary of VOTI Detection Inc. (see "subsequent events" section for details) for the years ended October 31, 2018 and 2017. This MD&A was prepared on February 13, 2019 with information available at this date. All references in this MD&A to Fiscal 2017 are to the fiscal year ended October 31, 2017 and 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 and notes thereto for the year ended October 31, 2018 and 2017. All amounts herein are expressed in Canadian dollars (unless otherwise indicated). All financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards (''IFRS''). Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted net loss" and "Adjusted loss per share". For a reconciliation of these non-IFRS financial measures to the most comparative IFRS measure, see the "Non-IFRS Financial Measures" section of this MD&A.

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this MD&A, the words ''may'', ''would'', ''could'', ''will'', ''intend'', ''plan'', ''anticipate'', ''believe'', ''seek'', ''propose'', ''estimate'', ''project'', ''expect'' and similar expressions are intended to identify forward- looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect VOTI's then current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation 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 reverse takeover transaction (“RTO”) on November 13, 2018 (see “Subsequent events” section for additional details).

Key Business Strategies

VOTI believes that its competitive advantage is its best in class solution and 3D Perspective™ technology that produces sharper and more 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 those fleets, whereas VOTI’s technology provides a seamless customer solution.

The Company intends to continue to expand its global footprint by leveraging its specialized sales force and building on its already established network of distributors specializing in the public and private security sectors. Thus far, VOTI has developed an agents’ network including 56 registered distributors spanning 71 countries. In addition, VOTI 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

As a result of increased threat levels from terrorism and criminal activity, management believes that 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.

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.

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

Seasonality

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

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 year ended October 31, 2018 (“Fiscal 2018”)

- Revenue for Fiscal 2018 increased to $23,006,851, compared to $18,462,971 in Fiscal 2017. The increase of $4,543,881 or 25% is attributable to a combination of orders from new customers, repeat orders from existing customers, a positive change in product mix and an increase in service revenues booked in 2018.

- The Company sold 592 security scanning units during Fiscal 2018 compared to 605 security scanning units sold during Fiscal 2017. The positive change in revenue is the result of the product mix in 2018 which included larger units with both higher selling prices and higher gross margins.

- Gross profit for Fiscal 2018 improved to $7,364,046, or 32% of revenue, compared to $4,250,472 or 23% in Fiscal 2017. The gross profit percentage increased by 9% when compared to Fiscal 2017. The increase in gross margin is the result of a combination of cost saving initiatives, economies of scale resulting from improved volumes, the implementation of programs designed to improve the company’s operational efficiencies and the sale of larger units with higher margins.

- Net loss for Fiscal 2018 increased to $3,687,524, compared to a net loss of $2,463,680 in Fiscal 2017. The increase of $1,223,844 is primarily related to the increase of non-cash share-based payments expense in 2018. In addition, the Company increased its field service team in Fiscal 2018 in anticipation of 2019 accelerated installations.

- Adjusted net loss for Fiscal 2018 improved slightly to $1,423,085, compared to an adjusted net loss of $1,519,549 in Fiscal 2017.

- Adjusted EBITDA for Fiscal 2018 improved to ($649,021), compared to ($1,489,804) in Fiscal 2017. The improvement of $840,783 is primarily related to the improved gross profit, offset by increased general and administrative, selling and distribution, and financial expenses incurred to support the Company’s growth.

- In connection with the RTO transaction, the Company issued $2,575,000 of convertible notes bearing interest at a rate of 12%. The Company also 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 which were held in trust until the RTO transaction concluded on November 13, 2019.

Highlights of the fourth quarter ended October 31, 2018 (“Q4 2018”)

- Revenue and gross profit for Q4 2018 was $5,468,376 and $831,333, respectively, with the Company selling 122 security scanning units. During the quarter, there was a temporary budgetary delay in Indonesia which impacted expected Fiscal 2018 orders. Normal ordering has since resumed in Fiscal 2019.

- Net loss for Q4 2018 was $3,423,660 and is primarily attributable to the inclusion of the non-cash share-based payments expense of $1,412,121, as well as reduced sales orders resulting from the temporary budgetary delay in Indonesia that impacted expected Fiscal 2018 orders, shifting them into Fiscal 2019 with the resumption of normal ordering. During the quarter, the company also expanded its field service team in anticipation of 2019 accelerated installations.

- Adjusted net loss for Q4 2018 was $2,011,539 and is primarily attributable to reduced sales orders resulting from the temporary budgetary delay in Indonesia that impacted expected Fiscal 2018 orders and shifted them into Fiscal 2019 with the resumption of normal ordering. During the quarter, the company also expanded its field service team in anticipation of 2019 accelerated installations.

- Adjusted EBITDA for Q4 2018 was ($1,519,459) and is primarily attributable to reduced sales orders resulting from the temporary budgetary delay in Indonesia that impacted expected Fiscal 2018 orders shifting them into Fiscal 2019 with the resumption of normal ordering. During the quarter, the company also expanded its field service team in anticipation of 2019 accelerated installations.

Selected Annual Financial Information

The selected financial information below was derived from the Company's October 31, 2018, 2017, and 2016 financial statements, prepared in accordance with IFRS.

As at	October 31, 2018	October 31, 2017	October 31, 2016
Financial position			
Cash	643,067	714,855	682,300
Total assets	22,693,639	9,347,432	4,836,830
Total debt [1]	7,005,734	1,229,848	1,310,000
Shareholders' (deficit) equity	(474,117)	989,339	(297,201)

(1) Total debt consists of bank indebtedness, term debt, shareholder loans and convertible debt.

Year ended October 31,	2018	2017	2016
Loss and comprehensive loss			
Revenue	23,006,852	18,462,971	3,995,591
Net loss	(3,687,524)	(2,463,680)	(2,941,812)
Comprehensive loss	(3,639,816)	(2,771,001)	(2,941,812)
Basic and diluted loss per share	(0.24)	(0.18)	(0.35)
Cash flows provided by (used in)			
Operating activities	(4,930,994)	(2,866,851)	(2,406,244)
Investing activities	(713,014)	(111,896)	(62,460)
Financing activities	14,967,266	3,025,562	1,628,841

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 months ended October 31,	Year ended October 31,	
	2018	2018	2017
Revenue	5,468,376	23,006,852	18,462,971
Net (loss) income	(3,423,660)	(3,687,524)	(2,463,680)
Finance expense (income) (1)	466,393	689,699	(35,005)
Depreciation and amortization	25,687	84,365	64,750
Income tax expense	-	-	-
EBITDA	(2,931,580)	(2,913,460)	(2,433,935)
(Gain) loss on disposal of fixed assets	-	-	2,243
Share based payments(2)	1,412,121	2,176,360	941,888
RTO expenses(3)	-	88,079	-
Adjusted EBITDA	(1,519,459)	(649,021)	(1,489,804)
Adjusted EBITDA margin (%)	(28%)	(3%)	(8%)

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

(2) 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 in 2017.
c. Share based compensation expense related to the issuance of common shares in 2017.

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

Adjusted net loss and Adjusted loss per share

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

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

	Three months ended October 31,	Year ended October 31,	
	2018	2018	2017
Net (loss) income	(3,423,660)	(3,687,524)	(2,463,680)
Loss on disposal of fixed assets	-	-	2,243
Share based payments(1)	1,412,121	2,176,360	941,888
RTO expenses (2)	-	88,079	-
Adjusted net (loss) income	(2,011,539)	(1,423,085)	(1,519,549)

(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 loss per share to Adjusted loss per share is as follows:

	Three months ended October 31,	Year ended October 31,	
	2018	2018	2017
Basic and diluted (loss) earnings per share	(0.22)	(0.24)	(0.18)
Impact of adjustments to net income (loss)	0.09	0.15	0.07
Adjusted (loss) earnings per share	(0.13)	(0.09)	(0.11)

Post consolidated loss per share and Post consolidated adjusted loss per share

Post consolidated loss per share is defined as net loss divided by the basic weighted average number of common shares outstanding of VOTI Detection Inc. Post consolidated adjusted net loss per share is defined as adjusted net loss 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 23,494,878, 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 Subsequent events section. Post consolidated loss per share and Post consolidated adjusted loss per share are non-IFRS financial measures. Management believes that Post consolidated loss per share and Post consolidated adjusted loss per share are useful measures that can facilitate period-to-period comparisons as they reflect VOTI Detection Inc.'s shareholders' loss per share and adjusted loss per share.

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

	Three months ended October 31,	Year ended October 31,	
	2018	2018	2017
Basic and diluted (loss) earnings per share	(0.22)	(0.24)	(0.18)
Impact of adjustments to weighted average common shares outstanding	0.06	0.14	0.03
Post consolidated (loss) earnings per share	(0.16)	(0.10)	(0.15)

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

	Three months ended October 31,	Year ended October 31,	
	2018	2018	2017
Adjusted (loss) earnings per share	(0.13)	(0.09)	(0.11)
Impact of adjustments to weighted average common shares outstanding	0.07	0.03	0.02
Post consolidated adjusted (loss) earnings per share	(0.06)	(0.06)	(0.09)

Results of Operations – Fiscal 2018 and Fiscal 2017

The following table sets forth the major components of the Company's statement of loss and comprehensive loss for Fiscal 2018 compared to Fiscal 2017:

Year ended October 31,	2018	2017	Variance	Variance (%)
Revenue	23,006,852	18,462,971	4,543,881	25%
Cost of goods sold	15,642,806	14,212,499	1,430,307	10%
Gross profit	7,364,046	4,250,472	3,113,574	73%
Gross margin (2)	*32%*	*23%*	*9%*	N/A
General and administrative expenses	3,437,247	2,541,717	895,530	35%
Selling and Distribution expenses	3,587,838	2,295,449	1,292,389	56%
Research and development expenses	1,160,426	970,103	190,323	20%
Net financial expenses (income)	689,699	(35,005)	724,704	2070%
Share-based payments	2,176,360	941,888	1,234,472	131%
Net loss	(3,687,524)	(2,463,680)	(1,223,844)	(50%)
Basic and diluted loss per share	(0.24)	(0.18)	(0.06)	N/A
Adjusted net (loss) (3)	(1,423,085)	(1,519,549)	96,464	6%
Adjusted net (loss) per share (3)	(0.09)	(0.11)	0.02	N/A

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

(3) For detailed reconciliations of Net loss to Adjusted net loss and Basic and diluted loss per share to Adjusted loss per, refer to "Non-IFRS Financial Measures" table on pages 9-10.

Revenue for Fiscal 2018 increased to $23,006,851, compared to $18,462,971 in Fiscal 2017. The increase of $4,543,881 or 25% is attributable to a combination of orders from new customers, repeat orders from existing customers, a positive change in product mix which included larger units with higher selling prices and an increase in service revenues booked in 2018

Gross profit for Fiscal 2018 improved to $7,364,046, or 32% of revenue, compared to $4,250,472 or 23% in Fiscal 2017. The gross profit percentage increased by 9% when compared to Fiscal 2017. The increase in gross margin is the result of a combination of cost saving initiatives, economies of scale resulting from improved volumes, the implementation of programs designed to improve the company's operational efficiencies and the sale of larger units with higher margins.

General and administrative expenses for 2018 increased to $3,437,247, compared to $2,541,717 in Fiscal 2017. The increase of $895,530 is primarily due to increased number of employees and higher wages, as well as additional consulting fees and travel costs incurred to support the Company's growth.

Selling and distribution expenses for 2018 increased to $3,587,838, compared to $2,295,449 in Fiscal 2017. The increase of $1,292,389 is primarily due to the increased number of sales personnel and consultants to support the Company's growth.

Research and development expenses for Fiscal 2018 increased to $1,160,426, compared to $970,103 in Fiscal 2017. The increase of $190,323 is primarily due to the increase in personnel and production of prototypes and product enhancements required to sufficiently and effectively compete in the market.

Net financial expenses for Fiscal 2018 increased to $689,699, compared to net financial income of $35,005 in Fiscal 2017. The increase of $724,704 is primarily due to increased interest charges in 2018 from increased borrowings, as well as an increase in net foreign exchange losses.

Share-based payments for 2018 increased to $2,176,360, compared to $941,888 in Fiscal 2017. The increase of $1,234,472 is primarily due to increased stock option grants in 2018 as compared with 2017, as well as the acceleration of share-based payment expense beginning in the fourth quarter of 2018.

Net loss for Fiscal 2018 increased to $3,687,524, compared to a net loss of $2,463,680 in Fiscal 2017. The increase of $1,223,844 is primarily related to the increase of non-cash share-based payments expense in 2018. In addition, the Company increased its field service team in Fiscal 2018 in anticipation of 2019 accelerated installations.

Results of Operations – Three-month period ending October 31, 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 October 31, 2018:

Three-month period ended October 31, 2018	
Revenues	5,468,376
Cost of goods sold	4,637,043
Gross profit	831,333
Gross margin (2)	*15%*
General and administrative expenses	926,804
Selling and Distribution expenses	1,217,885
Research and development expenses	231,790
Net financial expenses (income)	466,393
Share-based payments	1,412,121
Net (loss) income	(3,423,660)
Basic and diluted loss per share	(0.22)
Adjusted net (loss) income (3)	(2,011,539)
Adjusted net (loss) income per share (3)	(0.13)

(1) A positive variance/% represents an increase in dollar amount and a negative variance/% represents a decrease in dollar amount.
(2) Gross margin is calculated as Gross profit divided by Revenue and is expressed in percentage terms.
(3) For detailed reconciliations of Net loss to Adjusted net loss and Basic and diluted loss per share to Adjusted loss per share, refer to "Non-IFRS Financial Measures" tables on pages 9-10.

Revenue and gross profit for Q4 2018 was $5,468,376 and $831,333, respectively, with the Company selling 122 security scanning units. During the quarter, there was a temporary budgetary delay in Indonesia which impacted expected Fiscal 2018 orders. Normal ordering has since resumed in Fiscal 2019.

Net loss for Q4 2018 was $3,423,660 and is primarily attributable to the inclusion of the non-cash share-based payments expense of $1,412,121, as well as reduced sales orders resulting from the temporary budgetary delay in Indonesia that impacted expected Fiscal 2018 orders and shifted them into Fiscal 2019 with the resumption of normal ordering. During the quarter, the company also expanded its field service team in anticipation of 2019 accelerated installations.

Adjusted net loss for Q4 2018 was $2,011,539 and is primarily attributable to reduced sales orders resulting from the temporary budgetary delay in Indonesia that impacted expected Fiscal 2018 orders and shifted them into Fiscal 2019 with the resumption of normal ordering. During the quarter, the company also expanded its field service team in anticipation of 2019 accelerated installations.

Financial Position

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

As at	October 31, 2018	October 31, 2017	Variance
Total Assets	**22,932,639**	**9,347,432**	**13,585,207**
Variance mainly due to:			
Restricted Cash	9,242,973	-	9,242,973
Inventories	7,267,017	4,758,860	2,508,157
Capitalized listing fee expense	924,190	-	924,190
Intangible assets	424,705	5,027	419,678
Total Liabilities	**23,406,756**	**8,358,093**	**15,048,663**
Variance mainly due to:			
Bank Indebtedness	1,860,000	629,848	1,230,152
Trade payables and accrued liabilities	6,662,268	3,629,402	3,032,866
Subscription receipts held for investors	9,242,973	-	9,242,973
Customer deposits	194,098	3,273,717	(3,079,619)
Shareholder loans	2,020,734	-	2,020,734
Convertible notes	2,575,000	-	2,575,000
Total Shareholders' (Deficit) Equity	**(474,117)**	**989,339**	**(1,463,456)**
Variance mainly due to:			
Stock option reserve	5,781,038	3,604,678	2,176,360
Deficit	(24,701,919)	(21,014,395)	(3,687,524)

Restricted Cash and Subscription receipts held for investors of $9,242,973 is the cash received with respect to the private placement of 3,080,991 subscription receipts. Each subscription receipt was exchanged, upon the completion of the reverse takeover transaction ("RTO"), into one common share of the issuer resulting from the RTO, namely VOTI Detection Inc. (the "Resulting Issuer") and one half of one Resulting Issuer common share purchase warrant. The RTO was completed on November 13, 2018 (see the "Subsequent Events" section for details).

Inventories increased to $7,267,017 at October 31, 2018, compared to $4,758,860 at October 31,2018. The increase of $2,508,157 is primarily due to an increase in carrying requirements resulting from actual and projected sales orders. Finished goods represents 33% of the variance, whereas the remaining relates to raw materials and work in progress.

Capitalized listing fee expense of $924,190 include capitalized costs associated with the RTO transaction. The costs include professional legal fees, professional accounting fees, consulting fees, contractual work from third parties involved in completing the RTO filing statement and regulatory fees, all of which were incremental costs relating to issuing new shares (see the "Subsequent Events" section for details).

Intangible assets increased to $424,705 at October 31, 2018, compared to $5,027 at October 31, 2017. The increase of $419,678 is primarily due to capitalized prototype development costs incurred in 2018 as compared with no capitalized development costs in 2017. 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 increased to $1,860,000 at October 31, 2018, compared to $629,848 at October 31, 2017. The increase of $1,230,152 is due to the amount of funds drawn under the available revolving demand facilities (see the "Liquidity and Capital Resources" section of the MD&A for more details).

Trade payable and accrued liabilities increased to $6,662,268 at October 31, 2018, compared to $3,629,402 at October 31, 2017. The increase of $3,032,866 is primarily due to an increase in inventories purchases and professional legal fees, professional accounting fees, consulting fees, contractual work from third parties involved in completing the RTO filing statement that were not paid at October 31, 2018.

Customer deposits decreased to $194,098 at October 31, 2018, compared to $3,273,717 at October 31, 2017. The decrease of $3,079,619 is primarily related to lower deposits on Indonesian sales orders.

Shareholder loans increased to $2,020,734 at October 31, 2018, compared to nil at October 31, 2017. 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 subsequent to year end.

Convertible loans increased to $2,575,000 at October 31, 2018, compared to nil at 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. Subsequent to October 31, 2018, these notes were converted into 858,333 common shares and 429,167 warrants giving the holders an option to purchase one common share for $4.50 up to 36 months following November 13, 2018.

Stock option reserve increased to $5,781,038 at October 31, 2018, compared to $3,604,678 at October 31, 2017. The increase of $2,176,360 is due to the share-based payments expense of Fiscal 2018.

Deficit increased to $24,701,919 at October 31, 2018, compared to $21,014,395 at October 31, 2017. The increase of $3,687,524 is due to the net loss incurred for the Fiscal 2018.

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 Fiscal 2018 compared to Fiscal 2017 is presented below:

Year ended October 31,	2018	2017	Variance
Net cash used in operating activities	(4,930,394)	(2,866,851)	(2,063,543)
Net cash used in investing activities	(713,014)	(111,896)	(601,118)
Net cash from financing activities	14,967,266	3,025,562	11,941,704
Net change in cash	9,323,858	46,815	9,277,043
Net effect of foreign exchange rate changes on cash and cash equivalents	(152,673)	(14,260)	(138,413)
Cash and restricted cash, beginning of year	714,855	682,300	32,555
Cash and restricted cash, end of year	9,886,040	714,855	9,171,185

Net cash used in operating activities in Fiscal 2018 increased by $2,063,543 when compared to Fiscal 2017. The increase is primarily caused by the increased purchases of inventories in Fiscal 2018 to fulfil orders in Fiscal 2019, as well as increased customer deposits in Fiscal 2017 to fulfil orders in Fiscal 2018 as compared with customer deposits existing at the end of Fiscal 2018.

Net cash used in investing activities in Fiscal 2018 increased by $601,118 when compared to Fiscal 2017 primarily resulting from additions to capitalized development costs.

Net cash provided by financing activities in Fiscal 2018 increased by $11,941,704 compared to Fiscal 2016. The increase is primarily resulting from the issue of subscription receipts, convertible notes, and shareholder loans in 2018, offset by the issuance of common shares in 2017 that did not recur in 2018.

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 the "Subsequent events" section for details), into one Resulting Issuer common share and one half of one Resulting Issuer 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 "Subsequent events section for more details).

Espresso Capital financing

See the "Subsequent events" section for details

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 as at 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 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 above facilities are secured by the following:

a) A deed of moveable hypothec representing all present and future obligations in the amount of $3,050,000, 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.

As at October 31, 2018, there was an amount of $1,860,000 (October 31, 2017 - $629,848) drawn under the facilities and there were letters of guarantee denominated in U.S. dollars totaling $257,860 in Canadian dollars equivalent.

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. The Company was in default of its total liabilities to tangible net worth ratio as at October 31, 2018 and 2017. Subsequent to year end, the creditor has acknowledged, in writing, the default and the plan of the Company to remedy such default on or before October 31, 2019. The Company repaid the loan facilities in their entirety, thereby remediating this default.

Income tax losses and unused research and development expenditures carried forward

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

	Federal	Provincial
	$	$
2028	142,046	183,822
2029	314,610	356,076
2030	1,147,430	1,180,620
2031	1,586,034	1,602,465
2032	2,932,235	2,904,519
2033	1,436,082	1,425,905
2034	2,546,536	2,488,710
2035	2,482,556	2,482,535
2036	1,884,832	1,884,830
2037	1,266,823	1,266,822
2038	917,126	922,106
	16,656,310	16,698,410

In addition, the Company has available unused research and development expenditures for federal and provincial income taxes purposes of $2,006,000 and $2,555,000, respectively. These expenses are available to reduce the taxable income of future years.

As at October 31, 2018, a deferred income tax asset has not been recognized on net deductible temporary differences of $18,476,585 as the Company has assessed that it will not be able to use these assets in the foreseeable future. At each successive consolidated statement of financial position date, the Company will re-assess if it is more likely than not that this asset meets the criteria for recognition.

Convertible notes

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, of which $150,000 was issued to Directors and $2,175,000 to other existing shareholders. In the event that the Company proceeds to effect a reverse takeover ("RTO") prior to December 31, 2018 (see Note 29 of the financial statements), these notes are automatically convertible into securities, on the same terms as are issued to investors in connection with the RTO, at a conversion price equal to the price paid for subscription receipts by investors. In the event the RTO does not take effect, these notes are either repaid in full or convertible at the option of the holder only upon another qualifying financing or change of control into related securities at a conversion price equal to 80% of the lowest price paid per security at such financing date.

These notes are secured by a third ranking hypothec on the movable assets of the Company.

On November 13, 2018, and in connection with the Company's RTO transaction (see Note 29 of the financial statements), these notes were converted into 858,333 common shares and 429,167 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 the year, 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 subsequent to year end.

Selected Quarterly Information

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

	Revenue	Net income (loss)	Basic and diluted income (loss) per share	Adjusted net income (loss)	Adjusted net income (loss) per share
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)	(453,850)	(0.03)
January 31, 2018	8,399,963	1,446,034	0.09	1,639,915	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)
April 30, 2017	2,950,871	(931,856)	(0.07)	(829,696)	(0.06)
January 31, 2017	3,616,211	(507,136)	(0.05)	(408,509)	(0.04)

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 October 31, 2018:

	Carrying amount	Contractual Cash flows	Less than 1 year	2 to 5 years	More than 5 years
Bank indebtedness(1)	1,860,000	1,860,000	1,860,000	-	-
Trade accounts payable and accrued liabilities	6,603,103	6,603,103	6,603,103	-	-
Term debt(2)	550,000	550,000	550,000	-	-
Obligations under finance leases	11,207	11,574	11,574		-
Convertible notes(3)	2,575,000	2,575,000	-	2,575,000	-
Shareholder loans(4)	2,020,734	2,020,734	2,020,734		
Obligations under operating leases	-	1,751,583	404,182	1,261,769	85,632

(1) The operating line of credit bears interest at the bank's prime +4.5%
(2) The term debt bears interest at 11.2%, the loan was paid in full as at January 11, 2019.
(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. These notes were converted into at the conversion price equal to the price paid for subscription receipts by investors as part of the going public transaction.
(4) During the year, 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 subsequent to year end.

Credit risk

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

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

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

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

	2018	2017
	$	$
0-30 days	**1,800,919**	1,488,145
31-60 days	**89,775**	1,050,732
61-90 days	**—**	2,441
91-120 days	**—**	70,528
	1,890,694	2,611,846

Concentration of credit risk

Five customers (one in 2017) represented approximately 80% of the accounts receivable balance at October 31, 2018 (64% in 2017). In addition, the Company generated 47% (59% in 2017) of its revenue from two customers (four in 2017) in the approximate amount of $10.9 million ($8.5 million in 2017).

Market risk

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

Currency risk

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

The Company's research and development tax credits receivable, bank indebtedness, term debt, shareholder loans, and convertible debt are denominated in Canadian dollars, and are subject to foreign currency risk.

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

	2018
	$
Cash	**140,348**
Short-term investments	**15,000**
Trade and other receivables	**333,837**
Research and development tax credits receivable	**719,780**
Bank indebtedness	**(1,860,000)**
Trade payables and accrued liabilities	**(3,873,821)**
Shareholder loans	**(2,020,734)**
Term debt	**(550,000)**
Convertible notes	**(2,575,000)**
	(9,670,590)

In 2018, a variation of 10% of the Canadian dollar against the U.S. dollar would have an impact of approximately $967,000 on profit and loss.

Interest rate risk

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

In 2018, a variation of 50 basis points while holding all other variables constant would have an impact of approximately $9,300 ($3,149 in 2017) on profit and loss.

Fair values

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

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

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

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

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

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

The fair values of cash, restricted cash, short-term investments, trade and other receivables, bank indebtedness, trade payables and accrued liabilities, subscription receipts held for investors, shareholder loans, convertible debt and term debt approximate their carrying values (level 2).

Other price risk

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

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 years ended October 31, 2018, and 2017.

Additional Financing Requirements

For information regarding completed financing arrangements occurring after October 31, 2018, including the Company's going public transaction and concurrent private placement, refer to the "Subsequent Events" 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.

Key management personnel includes the Chief Executive Officer, Chief Financial Officer, Chief Operating 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:

	2018	2017
	$	$
Trade payables and accrued liabilities	**131,914**	255,000

Compensation of directors and key management personnel

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

	2018	2017
	$	$
Short-term benefits	**2,046,306**	1,506,011
Share-based payments	**1,848,594**	835,048

Outstanding Share Data

At October 31, 2018, the Company has 15,624,508 common shares issued and outstanding, 5,212 warrants convertible on a one-for one basis into common shares and 4,674,613 stock options outstanding.

Segment Reporting

The Company has determined that it has only one reportable operating segment, the development and marketing of security screening systems. This single operating segment generates revenues from the sale of these products and from rendering services related to the sale of these products. 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 year ended:

	2018	**2017**
Asia-Pacific	**52%**	38%
Europe, Middle East, and Africa	**20%**	38%
United States	**13%**	15%
Canada	**6%**	5%
Other	**9%**	4%
	100%	100%

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

	2018	2017
	$	$
Canada	**696,159**	127,169
Malaysia	**73,952**	—
United Arab Emirates	**20,602**	22,698
	790,713	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 the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognized in these consolidated financial statements.

Research and development tax credits receivable

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

Share-based payments

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

Valuation of inventory

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

Warranties

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

Internally-generated development costs

The capitalization of internally-developed intangible assets requires management to make judgments and assumptions including those related to the capitalization criteria of certain expenditures to internally-developed intangible assets in accordance with IAS 38 Intangible Assets.

Recent Accounting Pronouncements

Standards, interpretations and amendments issued but not yet effective;

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.

Subsequent Events

Reverse takeover transaction and private placement

On November 9, 2019, 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 an arm's length qualifying transaction in accordance with the policies of the TSX Venture Exchange. 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, 2019, the common shares of VOTI Detection Inc. began trading on the TSX Venture Exchange under the symbol "VOTI". Following the completion of the RTO, 23,494,878, 1,969,662 and 144,238 post-consolidation Resulting Issuer 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. As Steamsand does not meet the definition of a business, the RTO will be accounted for as a reverse acquisition of net assets, pursuant to IFRS 2, Share-based payments.

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

- All outstanding stock options described in note 19 of the financial statements were accelerated and exercised on a share appreciation basis for common shares of the Company;
- The Company cancelled all outstanding warrants described in note 18 of the financial statements;
- The Company 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 common share was exchanged for one fully-paid and non-assessable Resulting Issuer common share (on a post-VOTI Consolidation basis), for an aggregate issuance of 19,166,667 Resulting Issuer common shares;
- The issued and outstanding VOTI Inc. convertible notes of $2,575,000 described in note 13 of the financial statements were converted into 858,332 Resulting Issuer common shares and 429,166 Resulting Issuer warrants;
- Each post-consolidated Steamsand common share was exchanged for one fully-paid and non-assessable Resulting Issuer common share, for an aggregate issuance of 388,888 Resulting Issuer common shares; and
- Each issued and outstanding subscription receipt described in note 4 of the financial statements was exchanged for one fully-paid and non-assessable Resulting Issuer common share, for an aggregate issuance of 3,080,991 Resulting Issuer common shares and 1,540,496 Resulting Issuer warrants.

In connection with the RTO, the gross proceeds of the private placement described in note 4 of the financial statements, net of certain issuance costs, were released from escrow to the Company. The agent commission included cash and 144,238 Resulting Issuer compensation options giving the holders an option to purchase one common share for $3.00 up to 24 months following November 13, 2018.

Each Resulting Issuer 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.

Stock Option Plan

On November 13, 2018, the Company's parent company, VOTI Detection Inc., established a new Stock Option Plan ("Plan"). The purpose of the Plan is to advance the interests of VOTI Detection Inc. and its shareholders by providing to the directors, officers, employees and consultants a performance incentive for continued and improved services. The Plan is administered by VOTI Detection Inc.'s Board of Directors. Options may be granted under the Plan until the earlier of (i) the date on which the Board terminates the Plan, and (ii) the failure to receive the requisite shareholder approval required by the Exchange.
Under this Plan, the recipients are awarded stock options to acquire common shares. The aggregate number of Options reserved for issuance under the Plan shall be 10% of the issued and outstanding Common Shares at any time.

Unless otherwise determined by the Board at the time of grant, each Option shall be exercisable until the eighth anniversary of the date on which it is granted. One third of the Options granted shall vest on the first anniversary of the date of grant and the remaining two thirds shall vest quarterly over two years, totalling a three-year vesting period.

On December 4, 2018 and December 13, 2018, VOTI Detection Inc. granted a total of 1,960,000 stock options to employees of the Company at an exercise price of $2.99 per share and expiring eight years after the grant date, of which 1,375,000 were granted to key management personnel.

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 $2,755,000 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 11 of the financial statements.

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.