Management's Discussion and Analysis of

VOTI DETECTION INC.

For the three-month period ended January 31, 2020

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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 January 31, 2020 and October 31, 2019 and operating results of VOTI Detection Inc. ("the Company" or "VOTI") for the three-month periods ended January 31, 2020 and 2019.

This MD&A was prepared as of March 23, 2020 with information available at this date. All references in this MD&A to Fiscal 2019 are to the fiscal year ended October 31, 2019. This document should be read in conjunction with the interim condensed consolidated financial statements of VOTI Detection Inc. for the three-month periods ended January 31, 2020 and 2019. 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, or changes in regulatory environment, 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 and ability to finance, 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. In addition, the current situation and future developments with respect to the COVID-19 pandemic could cause certain of the assumptions and information set forth herein or the fact that on which such assumptions are based to differ materially from previous expectations including in respect of demand for our products, supply chain and availability of materials, mobility and shipping of materials and or products, access to debt and equity capital and other factors.

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 and brings effective detection technologies to markets that are price sensitive.

Key Business Strategic objectives

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, currently found at airports and seaports, to the commercial and industrial conventional x-ray screening sectors of the market, which make up the largest segment of the conventional 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 conventional x-ray screening market is forecasted to grow at a 4.9% CAGR to reach US$2.67 billion by 2024[1].

Growth is generally 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.

The impact of the COVID-19 virus on the markets is evolving and to the extent that such markets are adversely affected in the near medium and long term, the growth strategy of VOTI would be affected.

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[1] Homeland Security Research Corp, X-ray Security Screening Systems (Aviation, Maritime, Land Transportation, Defense, Postal, Perimeter, Building, Baggage, Cargo, People, Container & Vehicle) Global Market – 2019-2024, published June 2019

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 predominant technology solution of choice when it comes to non-intrusive inspection and optimal throughput.

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 five 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, Astrophysics, Inc. 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 commercial and industrial x-ray screening sectors of the market, which is the largest segment of the conventional 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 budgetary decisions and cycles.

Financial Highlights

For the three-month period ended January 31, 2020

- Revenue for the three-month period ended January 31, 2020 totaled $6,042,016, compared to $6,797,428 for the same period in Fiscal 2019, a decrease of $755,412 or 11%. The decrease is primarily due to the lower number of larger tunnel size units sold, which carry higher selling prices.
- VOTI sold 148 security scanning system units during the three-month period ended January 31, 2020 compared to 145 in same period in Fiscal 2019. Sales were made to a broader range of customers over a wide geographic base. In addition, the Company completed shipments on major orders received from repeat customers and made significant inroads with franchises in major North American professional sports leagues.
- Gross profit decreased to $1,905,199, or 32% of revenue, compared to $2,357,182 or 35% for the same period in Fiscal 2019. The 3% decrease in gross margin compared to the same period in Fiscal 2019 is primarily the result of the decrease in the average selling price per unit.
- Net loss increased to $2,224,603 compared to $1,643,703 for the same period of Fiscal 2019. The increase in loss of $580,900 in the first quarter of Fiscal 2020 compared to the same period of Fiscal 2019 is primarily related to the non-cash fair value measurement of the Company's warrants, decreased gross profit, increase in selling and distribution expenses, increase in research and development expenses to support the Company's growth and increase in financial expenses, partially offset by the decrease related to the absence of the reverse acquisition of Steamsand in 2020 and the decrease in general and administrative costs.
- Adjusted net loss for the three-month period ended January 31, 2020 increased to $1,502,024, compared to an adjusted net loss of $715,134 for the same period in Fiscal 2019.
- Adjusted EBITDA for the three-month period ended January 31, 2020 decreased to ($1,079,153), compared to ($544,044) for the same period in Fiscal 2019. The decrease of ($535,109) is primarily related to increased number of personnel and consultants to support the Company's growth coupled with a decrease in the average selling price per unit, partially offset by lower general and administrative costs.

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 financial expenses, depreciation and amortization expense and income tax expense. Adjusted EBITDA is defined as EBITDA excluding share-based payments 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 and help to better understand the Company's performance, as they help reflect the Company's business operation and allow for more accurate comparison to other companies, by excluding the impact on EBITDA that non-recurring, non-operating, or unusual items may have on the Company's operations.

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 January 31,	
	2020	2019
Revenue	6,042,016	6,797,428
Net (loss) income	(2,224,603)	(1,643,703)
Financial (income) expenses[2]	256,525	135,443
Depreciation and amortization	166,346	35,647
EBITDA	(1,801,732)	(1,472,613)
Share based payments[3]	531,372	576,531
Change in fair value of warrants	191,207	(612,000)
Reverse acquisition[4]	-	964,038
Adjusted EBITDA	(1,079,153)	(544,044)
Adjusted EBITDA margin (%)	(18%)	(8%)

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

Adjusted net income (loss) is defined as net income (loss) adjusted for share-based payments 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.

[2] Financial expenses consist of interest and bank charges, foreign exchange gains and losses, significant financing component interest on extended warranties, interest on lease liabilities and other financial charges.

[3] Share based payments are made up of the issuance and vesting of VOTI Detection Inc. and VOTI Inc. stock options, deferred share units and restricted share units.

[4] 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.

The reconciliation of net income (loss) to Adjusted net income (loss) is as follows:

	Three-months ended January 31, 2020	2019
Net income (loss)	(2,224,603)	(1,643,703)
Change in fair value of warrants	191,207	(612,000)
Share based payments[5]	531,372	576,531
Reverse acquisition[6]	-	964,038
Adjusted net income (loss)	(1,502,024)	(715,134)

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

	Three-months ended January 31, 2020	2019
Basic and diluted (loss) earnings per share	(0.08)	(0.07)
Impact of adjustments to net (loss) income	0.02	0.04
Adjusted (loss) earnings per share	(0.06)	(0.03)

Private placement

On November 15, 2019, the Company issued 171,429 common shares through a private placement, including 20,309 common shares being issued to a director of the Company. The common shares were issued at $1.75 per share for total gross proceeds of $300,000. Share issuance costs of $20,000 were recorded within the Company's share capital.

[5] Share based payments are made up of the issuance and vesting of VOTI Detection Inc. and VOTI Inc. stock options, deferred share units and restricted share units

[6] 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.

Results of Operations

Three-month periods ended January 31, 2020 and 2019

The following table sets forth the major components of the Company's statement of (loss) income and comprehensive loss for the three-month period ended January 31, 2020 compared to the corresponding period of 2019:

Three-month period ended January 31,	2020	2019	Variance[7]	Variance[7] (%)
Revenue	6,042,016	6,797,428	(755,412)	(11%)
Cost of goods sold	4,136,817	4,440,246	(303,429)	(7%)
Gross profit	1,905,199	2,357,182	(451,983)	(19%)
Gross margin[8]	32%	35%	(3%)	N/A
General and administrative expenses	1,175,713	1,401,549	(225,836)	(16%)
Selling and Distribution expenses	1,787,837	1,446,482	341,355	24%
Research and development expenses	187,148	88,842	98,306	111%
Net financial (income) expenses	256,525	135,443	121,082	(89%)
Change in fair value of warrants	191,207	(612,000)	803,207	N/A
Share-based payments	531,372	576,531	(45,159)	(8%)
Reverse acquisition	-	964,038	(964,038)	N/A
Net loss	(2,224,603)	(1,643,703)	(589,900)	(35%)
Basic and diluted earnings (loss) per share	(0.08)	(0.07)	(0.01)	N/A
Adjusted net (loss) income[9]	(1,502,024)	(715,134)	(786,890)	(110%)
Basic & diluted Adj. (loss) earnings per share[9]	(0.06)	(0.03)	(0.03)	N/A

Revenue for the three-month period ended January 31, 2020 totaled $6,042,016, compared to $6,797,428 for the same period in Fiscal 2019, a decrease of $755,412 or 11%. The decrease is primarily due to the lower number of larger tunnel size units sold, which carry higher selling prices.

Gross profit decreased to $1,905,199, or 32% of revenue, compared to $2,357,182 or 35% for the same period in Fiscal 2019. The 3% decrease in gross margin compared to the same period in Fiscal 2019 is primarily the result of the decrease in the average selling price per unit.

General and administrative expenses decreased to $1,175,713 compared to $1,401,549 for the same period in Fiscal 2019. The decrease is primarily due to reduced executive compensation in 2020 and the additional professional fees incurred in connection with the Company's reverse takeover transaction during the three-month period ended January 31, 2019.

Selling and distribution expenses increased to $1,787,837 compared to $1,446,482 for the same period in Fiscal 2019. The increase of $341,355 is primarily due to increased sales and customer support personnel, as well as an increased number of tradeshows attended and travel costs.

Research and development expenses increased to $187,148 compared to $88,842 for the same period in Fiscal 2019. The increase of $98,306 is primarily due to additional costs incurred to advance the Company's development activities.

7 A positive variance/% represents an increase in dollar amount and a negative variance/% represents a decrease in dollar amount.

8 Gross margin is calculated as Gross profit divided by Revenue and is expressed in percentage terms.

9 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.

Net financial expenses increased to $256,525 compared to $135,443 for the same period in Fiscal 2019. The increase of $121,082 is primarily due the increase in overall borrowed funds during the quarter, increase related to the significant financing component interest on extended warranties and an increase in interest on lease liabilities from the adoption of the new accounting standard, IFRS 16, *Leases*.

Change in fair value of warrants increased to a $191,207 loss compared to a $612,000 gain for the same period in Fiscal 2019. The increase of $803,207 is primarily due to the impact that the change in the Company's share price has on the non-cash fair value measurement of the Company's warrants at January 31, 2020.

Share-based payments decreased to $531,372 compared to $576,531 for the same period in Fiscal 2019.

Net loss increased to $2,224,603 compared to $1,643,703 for the same period of Fiscal 2019. The increase in loss of $580,900 in the first quarter of Fiscal 2020 compared to the same period of Fiscal 2019 is primarily related to the non-cash fair value measurement of the Company's warrants, decreased gross profit, increase in selling and distribution expenses, increase in research and development expenses to support the Company's growth and increase in financial expenses, partially offset by the decrease related to the absence of the reverse acquisition of Steamsand in 2020 and the decrease in general and administrative costs.

Financial Position

The following table provides an analysis of the Company's statement of financial position as at January 31, 2020 compared to October 31, 2019:

As at	January 31, 2020	October 31, 2019	Variance
Total Assets	27,755,176	23,152,381	4,602,795
Variance mainly due to:			
Cash	873,351	1,941,507	(1,068,156)
Trade and other receivables	8,969,083	7,713,621	1,255,462
Inventories	10,157,198	7,941,110	2,216,088
Intangible assets	4,196,998	3,396,868	800,130
Right of use assets	1,246,602	-	1,246,602
Total Liabilities	17,754,917	11,672,756	6,082,161
Variance mainly due to:			
Bank Indebtedness	2,350,000	330,000	2,020,000
Trade payables and accrued liabilities	6,820,592	5,284,374	1,536,218
Lease liability	1,246,604	-	1,246,604
Long-term debt	3,650,000	2,650,000	1,000,000
Total Shareholders' Equity (Deficit)	10,000,259	11,479,625	(1,479,366)
Variance mainly due to:			
Share capital	38,611,761	38,331,761	280,000
Stock option reserve	2,966,082	2,434,710	531,372
Deficit	(31,130,871)	(28,906,268)	(2,224,603)

Cash decreased to $873,351 at January 31, 2020 compared to $1,941,507 at October 31, 2019. The decrease is primarily attributed to fund the Company's working capital and development activities, partially offset by increased borrowings and consideration received from the issuance of common shares.

Trade and other receivables increased to $8,969,083 at January 31, 2020 compared to $7,713,621 at October 31, 2019. The increase of $1,255,462 is primarily due to the inclusion of certain receivables with extended payment terms being carried from Fiscal 2019.

Inventories increased to $10,157,198 at January 31, 2020 compared to $7,941,110 at October 31, 2019. The increase of $2,216,088 is primarily attributable to purchasing additional components during the first quarter of 2020 required for fulfilling orders in the following period, and an increase in the number of scanners manufactured for rental at a high-profile sporting event.

Intangible assets increased to $4,196,998 at January 31,2020, compared to $3,396,868 at October 31, 2019. The increase of $800,130 is primarily due to increased development achievements and the increase of capitalizing certain costs associated with the expectation of future benefits from increased scanner and software sales, as well as cost reduction initiatives.

Right of use assets increased to $1,246,602 at January 31,2020, compared to nil at October 31, 2019. The increase of $1,246,602 is consequential to the adoption of the new accounting standard, IFRS 16, *Leases*, which provides for capitalization of an operating lease to an asset, representing the Company's right to use that underlying asset. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Bank Indebtedness increased to $2,350,000 at January 31, 2020, compared to $330,000 at October 31, 2019. The increase of $2,020,000 is due to supporting the Company's working capital needs.

Trade payables and accrued liabilities increased to $6,820,592 at January 31, 2020, compared to $5,284,374 at October 31, 2019. The increase of $1,536,218 is primarily due to increased component inventory purchases during the first quarter of Fiscal 2020 in preparation for fulfilling sales orders in the second quarter of Fiscal 2020.

Lease liability increased to $1,246,604 at January 31,2020, compared to nil at October 31, 2019. The increase of $1,246,604 is consequential to the adoption of the new accounting standard, IFRS 16, *Leases*, and represents the present value of the Company's obligation to make lease payments.

Long-term debt increased to $3,650,000 at January 31, 2020, compared to $2,650,000 at October 31, 2019. The increase of $1,000,000 is due to an additional amount drawn by the Company during the first quarter of Fiscal 2020.

Share capital increased to $38,611,761 at January 31, 2020, compared to $38,331,761 at October 31, 2019. The increase of $280,000 is primarily due to the issuance of 171,429 common shares during the first quarter of Fiscal 2020 through a private placement at $1.75 per share for total gross proceeds of $300,000.

Stock option reserve increased to $2,966,082 at January 31, 2020, compared to $2,434,710 at October 31, 2019. The increase of $531,372 is due to the share-based payments expense recorded during the three-month period ending January 31, 2020.

Deficit increased to $31,130,871 at January 31, 2020, compared to $28,906,268 at October 31, 2019. The increase of $2,224,603 is due to the net loss incurred in the first quarter of Fiscal 2020.

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 and marketed offering 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 growth.

Cash Flows

A summary of net cash flows by activity for the three-month period ended January 31, 2020 compared to the corresponding period of 2019 is presented below:

Three-month period ended January 31,	2020	2019	Variance
Net cash used in operating activities	(3,213,654)	(2,635,464)	(578,190)
Net cash used in investing activities	(904,755)	(739,823)	(164,932)
Net cash from financing activities	3,030,628	(4,018,052)	7,048,680
Net change in cash	(1,087,781)	(7,393,339)	6,305,558
Net effect of foreign exchange rate changes on cash	19,625	(44,337)	63,962
Cash and restricted cash, beginning of period	1,941,507	9,886,040	(7,944,533)
Cash, end of period	873,351	2,448,364	(1,575,013)

Net cash used in operating activities during the three-month period ended January 31, 2020 increased by $578,190 when compared to the same period in Fiscal 2019. The increase in net cash used in operations primarily resulted from an increase in inventories, increased collection of upfront cash from extended warranty payments in 2019 and an increased net loss, partially offset by the increase in trade payables.

Net cash used in investing activities during the three-month period ended January 31, 2020 increased by $164,932 when compared to the same period in Fiscal 2019 primarily resulting from additions to capitalized development costs.

Net cash from financing activities during the three-month period ended January 31, 2020 increased by $7,048,680 compared to the same period in Fiscal 2019. The increase primarily resulted from the repayment of borrowings and the share issuance costs in Fiscal 2019 following the completion of the going public transaction, coupled with increased borrowings in the first quarter of Fiscal 2020.

Other Cash Considerations

Long-term debt

The Company entered into a $7,500,000 revolving long-term debt facility with Espresso Capital Ltd. which matures on June 30, 2022. Based on the terms of the agreement, the authorized credit limit is determined based on the Company's average monthly gross margin for the preceding twelve months, multiplied by 7.5, less any debt in priority and any borrowings already made on this facility.

Accordingly, as at January 31, 2020, the Company's authorized credit limit is $3,740,000 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 movable hypothec on the universality of the Company's movable property, subject to a first ranking security interest held by the creditor of the Company's bank indebtedness.

The amount outstanding as at January 31, 2020 was $3,650,000, of which an amount of $1,000,000 is payable on April 30, 2020.

The Company must respect certain covenants and financial ratios associated with the facility, including a debt to market capitalization ratio of no more than 20% and reducing to no more than 15% following the repayment on April 30, 2020. As at January 31, 2020, all covenants were respected.

Term debt

On August 2, 2019, the Company entered into a credit facility agreement with Investissement Quebec ("IQ") for a term loan of up to $336,840, to be used specifically to finance the refundable tax credits for experimental scientific research and development for the Company's 2019 fiscal year.

The term loan bears interest at 2.55% above the bank prime rate and is secured by a senior-ranking hypothec on the

Company's research and development tax credits receivable and other assets totaling $404,000, with the addition of an irrevocable letter of credit in the amount of $33,684, representing 10% of the credit facility amount.

The term loan is repayable on the earliest of the following dates:

a) the date the Company files its income tax return, if the refundable tax credits receivable is deducted from the income tax payable at that time;

b) the date the Company is required to file its income tax return, if it has not actually filed its return;

c) the date a refund is received; or

d) April 30, 2021.

As at January 31, 2020 the Company has borrowed an amount of $253,000 under this facility.

Bank indebtedness & letters of guarantee

The Company has an available revolving demand facility of $2,500,000 based on eligible accounts receivable and inventory. Amounts drawn under this facility bear interest at 1.5% above the bank's prime rate and are repayable on demand.

The above facility is secured by the following:

a) A deed of moveable hypothec representing all present and future obligations in the amount of $3,100,000, 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;

c) Aggregate borrowings outstanding under the current facility are guaranteed by Export Development Canada up to 65%, 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 $670,000 by way of letters of guarantee denominated in Canadian or U.S. currency which is repayable on demand. The facility is secured by performance security guarantees issued by Export Development Canada for each letter of guarantee issued.

As at January 31, 2020, an amount of $2,350,000 (October 31, 2019 - $330,000) was drawn under the credit facility and there were letters of guarantee denominated in U.S. dollars totaling $678,631 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 to be measured on an annual basis. As at January 31, 2020, all covenants were respected.

The revolving demand facility is due to decrease to $500,000 on March 31, 2020 in accordance with the agreement, however the Company is currently in discussions with the bank in order to maintain the facility at the current amounts and similar terms. Based on these discussions, although the Company expects that the facility will be maintained at the current amount, as at the date of the issuance of these financial statements, no agreement has been reached nor is there any assurance the Company will be successful in maintaining the facility at the current amounts.

Selected Quarterly Information

The table below presents revenue, net income (loss) and 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
January 31, 2020	6,042,016	(2,224,603)	(0.08)	(1,502,024)	(0.06)
October 31, 2019	5,310,129	(1,314,494)	(0.05)	(1,216,052)	(0.05)
July 31, 2019	7,818,328	(1,216,282)	(0.05)	(103,056)	0.00
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)

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:

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 amounts receivable and deposits from the potential default by counterparties. 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, short-term investments, trade and other receivables, research and development tax credits receivable and deposits.

The typical credit period on sales is between 30 and 90 days and from time to time may be extended further. Allowances for doubtful accounts are recognized against trade receivables based on estimated irrecoverable amounts determined using the expected credit loss model.

Liquidity risk

Liquidity risk is the risk that a company cannot meet 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, term-debt and long-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 January 31, 2020:

	Carrying amount	Contractual Cash flows	Less than 1 year	1 to 3 years	More than 3 years
	$	$	$	$	$
Bank indebtedness	2,350,000	2,350,000	2,350,000	-	-
Trade payables and accrued liabilities	6,820,592	6,820,592	6,820,592	-	-
Term debt	253,000	253,000	253,000	-	-
Lease liabilities	1,246,604	1,542,576	402,896	746,632	393,048
Long-term debt[10]	3,650,000	3,650,000	1,000,000	2,650,000	-

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 significant portion of its expenditures is also in that foreign currency.

The Company's cash, short term investments, trade and other receivables, research and development tax credits receivable, trade payables and accrued liabilities, term debt, long-term debt and warrants liability are denominated in Canadian dollars and are subject to foreign currency risk.

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 also has long-term debt available at a fixed interest rate; therefore, it is exposed to fair value risk as a result of potential rate fluctuations. There has been no significant change to the Company's exposure to interest rate risk.

Fair values

Financial assets and financial liabilities are measured on an ongoing basis at amortized cost.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, 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)

[10] The Company has a revolving credit facility with Espresso Capital Ltd. bearing interest at 15.25% per annum and maturing on June 30, 2022

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.

Warrants are classified as financial liabilities at FVTPL since they are denominated in a currency other than the Company's functional currency, and accordingly are measured as level 3.

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 other 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 period ended January 31, 2020.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of obligations under operating leases that have a lease term of 12 months or less and leases with low-value assets[11]. 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

Remuneration payable to key management personnel[12]

The following table summarizes the remuneration payable to key management personnel included in accounts payable and accrued liabilities:

Three-month period ended January 31,	2020	2019
	$	$
Trade payables and accrued liabilities	16,346	160,771

11 Refer to section "Changes in significant accounting policies" for a description of the change in the Company's accounting treatment of leases with a term of 12 months or more.

12 Key management personnel include 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.

Compensation of directors and key management personnel

The following table summarizes the remuneration of directors and key management personnel from transactions which 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.

Three-month period ended January 31,	2020	2019
	$	$
Short-term benefits	312,917	496,348
Share-based payments	346,154	452,251

Outstanding Share Data

At January 31, 2020 the Company has 26,744,086 common shares issued and outstanding, 1,969,662 warrants, 232,665 compensation options and 2,455,000 stock options outstanding convertible on a one-for one basis into common shares, as well as 173,908 DSUs and 53,504 RSUs outstanding convertible on a one-for-one basis into common shares or, at the option of the Company, for a cash payment equivalent to its fair market value.

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 periods ended January 31:

	2020	2019
Asia-Pacific	10%	26%
Europe, Middle East, and Africa	15%	7%
United States	67%	57%
Canada	1%	8%
Other	7%	2%
	100%	100%

The following table summarizes non-current assets information by geography as at January 31, 2020 and October 31, 2019:

	2020	2019
	$	$
Canada	6,099,719	4,107,650
Malaysia	92,111	64,445
United Arab Emirates	74,201	68,963
	6,266,031	4,241,058

Basis of presentation and going concern assumption

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities as explained in the notes to the consolidated financial statements. Historical cost is based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at January 31, 2020, the Company had not yet achieved profitable operations and had a net loss for the period of $2,224,603 and negative cash flows from operations of $3,213,654. In addition, since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness.

The impact of COVID-19 on the markets and industries to which VOTI sells its products, including the transportation, travel and events & entertainment industries (including cruise line, aviation and public venues such as sporting venues) has been significant and is evolving. VOTI has not, to date, experienced any inability to fulfill customer orders. Measures have been taken to ensure the availability of components and we have sufficient components on hand to fulfill orders through the second quarter and into the third quarter. To the extent that our suppliers close or remain closed for an extended period of time, delays in delivery to customers could result with an adverse impact on financial performance and cash flow. In addition, we are closely monitoring the cross-border trade situation with the United States, and potentially other countries, and the impact this may have on the Company. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Due to this uncertainty, should significant supply chain issues occur, sales orders be canceled or not continue to materialize, or funding not be available, the Company may experience difficulty in meeting its obligations. In order to address this uncertainty, management has undertaken the following actions to ensure the continued operations of the Company:

- Reducing operating costs;
- Pursuing various avenues of financing, including debt and/or equity, as well as maintaining existing financing from current lenders;
- Pursuing government institutions for additional funding and relief in connection with COVID-19 related programs.

While no material adverse effect on operations or financial condition have been experienced to date, the Company continues to revise its plans with respect to its cash flow and financing. The Company believes that the continued ability to generate and fulfill customer orders, the cost reduction plans currently in place and successful funding initiatives, will provide sufficient cash flow for the Company to continue as a going concern in its present form. However, there can be no assurance that the Company will achieve such results. In the absence of raising additional funding or attaining sufficient revenues and/or sufficient operating cost reductions to achieve and sustain positive cash flows, there is substantial doubt regarding the Company's ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue its operations.

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 the 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, 2019, other than the considerations described above under basis of preparation and going concern assumption .

Changes in significant accounting policies

IFRS 16, Leases

On November 1, 2019 the Company adopted IFRS 16, *Leases*, which replaces IAS 17, *Leases*.

IFRS 16 removes the distinction between finance and operating leases and introduces a single accounting model to recognize assets and liabilities for all leases with a term of more than 12 months.

Under IFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Company applies IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether a lease existed. The Company has elected to not recognize right of use assets and lease liabilities that have a lease term of 12 months or less and leases of low-value assets.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right of use asset and lease liability is recognized at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Accordingly, as at November 1, 2019, lease liabilities are measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate. Right of use assets were measured at an amount equal to the lease liability. Management also applied judgement and previous experience when determining the lease term if the contract contained an option to extend or terminate the lease.

Upon implementing IFRS 16 on November 1, 2019, the Company recognized $ 1,316,278 of lease liabilities, which equals to the amount of right of use assets recognized. Obligation under capital lease and deferred rent liability previously recognized were adjusted through profit and loss.

Business Risks

A widespread health epidemic, including COVID-19, could adversely affect our business

Our business could be severely affected by a widespread regional, national or global health epidemic, by disrupting customers' purchasing behavior and production and/or supply chain of our products. VOTI is continually assessing alternative sourcing of its components so that customers' needs are met in a timely and cost-effective manner.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global financial markets have experienced significant volatility and weakness.

Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

The impact of COVID-19 on the markets and industries to which VOTI sells its products, including the transportation, travel and events & entertainment industries (including cruise line, aviation and public venues such as sporting venues) has been significant and is evolving. VOTI has not, to date, experienced any inability to fulfill customer orders. Measures have been taken to ensure the availability of components and we have sufficient components on hand to fulfill orders through the second quarter and into the third quarter. To the extent that our suppliers close or remain closed for an extended period of time, delays in delivery to customers could result with an adverse impact on financial performance and cash flow. In addition, we are closely monitoring the cross-border trade situation with the United States, and potentially other countries, and the impact this may have on the Company.

While no material adverse effect on operations or financial condition have been experienced to date, the Company continues to revise its contingency plan with respect to its cash flow and financing.

In all other respects, 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

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.