Management's Discussion and Analysis of

VOTI DETECTION INC.

(formerly Steamsand Capital Corp.)

For the three-month and nine-month periods ended July 31, 2019

Table of Contents

Basis of Presentation

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

This MD&A was prepared as of September 12, 2019 with information available at this date. All references in this MD&A to Fiscal 2018 are to the Fiscal year ended October 31, 2018. This document should be read in conjunction with the audited annual financial statements of VOTI Inc. and notes thereto for the year ended October 31, 2018 and the interim condensed consolidated financial statements of VOTI Detection Inc. for the three-month and nine-month periods ended July 31, 2019 and 2018. All amounts herein are expressed in Canadian dollars (unless otherwise indicated). All financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards (''IFRS''). Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted net income (loss)", "Adjusted (loss) earnings per share", "Post consolidated (loss) earnings per share" and "Post consolidated adjusted (loss) earnings per share". For a reconciliation of these non-IFRS financial measures to the most comparative IFRS measure, see the "Non-IFRS Financial Measures" section of this MD&A.

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this MD&A, the words ''may'', ''would'', ''could'', ''will'', ''intend'', ''plan'', ''anticipate'', ''believe'', ''seek'', ''propose'', ''estimate'', ''project'', ''expect'' and similar expressions are intended to identify forward- looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect VOTI's then current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation risks regarding the threat detection technology industry, failure to obtain regulatory approvals, 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.*

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.

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

Key Business Strategies

VOTI's primary underlying strategy is to bring cost-effective elite features and benefits (including analysis and enhanced detection capabilities) of top-tier x-ray screening at airports and seaports, to the 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 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

[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

- Transportation – mass transit systems; airports (cargo); rail transit facilities; cruise ship terminals; logistics operations.
- Secured Perimeters and Buildings – schools and universities; justice and correction centers; police stations and military sites; events and attractions
- Ports and Borders – land checkpoints; seaports; customs
- Commercial, Manufacturing and Retail – warehouses; fulfillment and manufacturing facilities; retail locations.

Trends and Seasonality

Industry Trends

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

VOTI Trends

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

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

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

Financial Highlights

Highlights of the three-month period ended July 31, 2019

- Revenue for the third quarter Fiscal 2019 totaled $7,818,328, compared to $4,974,879 in the third quarter Fiscal 2018, an increase of $2,843,449 or 57%. The increase is primarily due to increased number of units sold and greater after sale service revenues compared to the same period of Fiscal 2018. VOTI deployed 218 units in the quarter compared to 134 units during the same period of Fiscal 2018. Third quarter shipments were made to a broad range of existing and first-time customers over a wide geographic base. The Company completed deliveries on a repeat order from US Bank Stadium, as well as deliveries to first-time customer Ports America, the largest terminal operator in the U.S.

- Gross profit increased to $3,118,326, or 40% of revenue, compared to $1,556,709 or 31% for the same period of Fiscal 2018. The gross margin increased by 9% compared to the same period of Fiscal 2018. The increase in gross margin is primarily the result of the increase in sales with higher margins as well as an increase in after sale service and extended warranty revenues.

- Net loss increased to $1,216,282 compared to $1,062,031 for the same period of Fiscal 2018. The increased loss of $154,251 in 2019 is primarily related to the unrealized loss on revaluation of warrants, the increase in net financial expenses, the increase of non-cash share-based payments and higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth, partially offset by the increase in gross profit.

- Adjusted net loss decreased to $103,056, compared to an adjusted net loss of $597,611 for the same period of Fiscal 2018.

- Adjusted EBITDA increased to $377,422, compared to ($497,055) for the same period of Fiscal 2018. The increase of $874,477 is primarily related to higher gross profit due to increased number of units sold, the benefit of sales of higher margin product, and the positive impact related to extended warranties, partially offset by higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth.

Highlights of the nine-month period ended July 31, 2019

- Financial performance was in line with Company expectations and the Company is on target to achieve its previously disclosed guidance of 25% growth in revenues for the year. Revenues for the first three quarters of 2019 are now ahead revenues for the full-year Fiscal 2018.

- Revenue for the nine-month period ended July 31, 2019 totaled $23,116,894, compared to $17,538,476 for the same period of Fiscal 2018, an increase of $5,578,418. The increase is primarily due to increased number of units sold and greater after sale service revenues compared to the same period of Fiscal 2018.

- VOTI added 564 units to its global footprint of units deployed. Shipments were made to a broad range of customers over a wide geographic base and included first time shipments to Carnival Cruise Line for 91 units at nine of the company's North American cruise ship ports. Deliveries were also made on a first-time order from Ports America, the largest terminal operator in the U.S. In addition, the Company completed shipments on major orders received from repeat customers in Southeast Asia totaling 171 machines. This is the third year in a row that these customers are ordering additional machines from VOTI. Increasing its presence in the event space vertical, the Company also made significant inroads with franchises in major North American professional sports leagues.

- Gross profit increased to $8,407,032, or 36% of revenue, compared to $6,264,029 or 36% for the same period in Fiscal 2018. The gross margin remained stable.

- Net loss increased to $2,980,153 compared to a net loss of $263,864 for the same period of Fiscal 2018. The increase of $2,716,289 is primarily related to the increase of non-cash share-based payments, reverse acquisition of Steamsand expenses, and higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth. This was partially offset by a higher gross profit, as well as a gain on revaluation of warrants.

- Adjusted net income (loss) decreased to ($778,623), compared to an adjusted net income of $588,454 for the same period of Fiscal 2018.

- Adjusted EBITDA decreased to ($109,165), compared to $870,438 for the same period of Fiscal 2018. The decrease of $979,603 is primarily related to higher costs related to increased number of personnel and consultants and marketing expenses to support the Company's growth and being publicly listed, partially offset by higher gross profit in Fiscal 2019.

- On November 8, 2018, Steamsand Capital Corp. ("Steamsand"), together with its wholly-owned subsidiary ("Subco"), entered into an amalgamation agreement with VOTI Inc. pursuant to which Subco would amalgamate with VOTI Inc. On November 13, 2018, the amalgamation was completed and Steamsand changed its name to VOTI Detection Inc. Details of the transaction can be found in the "Reverse takeover and private placement" section of this MD&A.

Non-IFRS Financial Measures

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

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

EBITDA is defined as net income or loss before net 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 because they allow comparisons with companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets in current results.

Furthermore, Management believes these measures are useful to assess the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to meet its commitments.

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

	Three-month periods ended July 31,		Nine-month periods ended July 31,	
	2019	2018	2019	2018
Revenue	7,818,328	4,974,879	23,116,894	17,538,476
Net (loss) income	(1,216,282)	(1,062,031)	(2,980,153)	(263,864)
Financial (income) expenses (1)	417,985	79,025	520,318	223,306
Depreciation and amortization	62,493	21,531	149,140	58,678
EBITDA	(735,804)	(961,475)	(2,310,695)	18,120
Share based payments (2)	770,041	376,341	1,871,462	764,239
Change in fair value of warrants	343,185	-	(767,548)	-
Reverse acquisition of Steamsand (3)	-	88,079	964,038	88,079
Unusual and non-recurring items				
Severance (4)	-	-	65,420	-
Other items (5)	-	-	68,158	-
Adjusted EBITDA	377,422	(497,055)	(109,165)	870,438
Adjusted EBITDA margin (%)	5%	(10%)	(0%)	5%

(1) Financial expenses consist of interest and bank charges, foreign exchange gains and losses, and other financial charges.

(2) 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.

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

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

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

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

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

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

	Three-month periods ended July 31,		Nine-month periods ended July 31,	
	2019	2018	2019	2018
Net income (loss)	(1,216,282)	(1,062,031)	(2,980,153)	(263,864)
Change in fair value of warrants	343,185	-	(767,548)	-
Share based payments (1)	770,041	376,341	1,871,462	764,239
Reverse acquisition of Steamsand (2)	-	88,079	964,038	88,079
Unusual and non-recurring items				
Severance (3)	-	-	65,420	-
Other items (4)	-	-	68,158	-
Adjusted net income (loss)	(103,056)	(597,611)	(778,623)	588,454

(1) 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.

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

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

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

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

	Three-month periods ended July 31,		Nine-month periods ended July 31,	
	2019	2018	2019	2018
Basic and diluted (loss) earnings per share	(0.05)	(0.07)	(0.13)	(0.02)
Impact of adjustments to net (loss) income	0.05	0.03	0.10	0.06
Adjusted (loss) earnings per share	0.00	(0.04)	(0.03)	0.04

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

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

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

	Three-month periods ended July 31,		Nine-month periods ended July 31,	
	2019	2018	2019	2018
Basic and diluted (loss) earnings per share	(0.05)	(0.07)	(0.13)	(0.02)
Impact of adjustments to weighted average common shares outstanding	-	0.02	-	0.01
Post consolidated (loss) earnings per share	(0.05)	(0.05)	(0.13)	(0.01)

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

	Three-month periods ended July 31,		Nine-month periods ended July 31,	
	2019	2018	2019	2018
Adjusted (loss) earnings per share	0.00	(0.04)	(0.03)	0.04
Impact of adjustments to weighted average common shares outstanding	-	0.01	-	(0.01)
Post consolidated (loss) earnings per share	0.00	(0.03)	(0.03)	0.03

Reverse takeover transaction and private placement

On November 8, 2018, Steamsand Capital Corp. ("Steamsand"), together with its wholly-owned subsidiary ("Subco"), entered into an amalgamation agreement with VOTI Inc. pursuant to which Subco would amalgamate with VOTI Inc. (the "Amalgamation") to complete the RTO. The Amalgamation was structured as a three-cornered amalgamation and, as a result, the amalgamated corporation was to become a wholly-owned subsidiary of Steamsand at the time of the completion of the Amalgamation.

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

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

- All of VOTI Inc.'s outstanding stock options described in note 19 of the interim condensed consolidated financial statements were accelerated and exercised on a share appreciation basis for common shares of VOTI Inc.;
- VOTI Inc. cancelled all outstanding warrants
- VOTI Inc. consolidated its common shares on the basis of one common share for every 30.7015984573 common shares. This share consolidation has been reflected throughout these statements retroactively. Similarly, Steamsand consolidated its common shares on the basis of one post-consolidation Steamsand common share for every 18 Steamsand common shares existing before such consolidation;
- Each issued and outstanding VOTI Inc. common share was exchanged for one fully-paid and non-assessable VOTI Detection Inc. common share (on a post-VOTI Consolidation basis), for an aggregate issuance of 19,166,665 VOTI Detection Inc. common shares;
- The issued and outstanding VOTI Inc. convertible notes of $2,575,000 described in note 14 of the interim condensed consolidated financial statements were converted into 858,332 VOTI Detection Inc. common shares and 429,166 VOTI Detection Inc. warrants;
- Each post-consolidated Steamsand common share was exchanged for one fully-paid and non-assessable VOTI Detection Inc. common share, for an aggregate issuance of 388,767 VOTI Detection Inc. common shares; and
- Each issued and outstanding subscription receipt described in note 6 of the interim condensed consolidated financial statements was exchanged for one fully-paid and non-assessable VOTI Detection Inc. common share, for an aggregate issuance of 3,080,991 VOTI Detection Inc. common shares and 1,540,496 VOTI Detection Inc. warrants.

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

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

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

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

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

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

Results of Operations

Three-month periods ended July 31, 2019 and 2018

The following table sets forth the major components of the Company's statement of loss and comprehensive loss for the three-month period ended July 31, 2019 compared to the corresponding period of 2018:

Three-month periods ended July 31,	2019	2018	Variance	Variance (%)
Revenue	7,818,328	4,974,879	2,843,449	57%
Cost of goods sold	4,700,002	3,418,170	1,281,832	38%
Gross profit	3,118,326	1,556,709	1,561,617	100%
Gross margin (2)	*40%*	*31%*	*9%*	N/A
General and administrative expenses	1,135,695	933,681	202,014	22%
Selling and Distribution expenses	1,403,032	869,295	533,737	61%
Research and development expenses	264,670	360,398	(95,728)	(27%)
Net financial (income) expenses	417,985	79,025	338,960	429%
Change in fair value of warrants	343,185	-	343,185	N/A
Share-based payments	770,041	376,341	393,700	105%
Net loss	(1,216,282)	(1,062,031)	(154,251)	(15%)
Basic and diluted earnings (loss) per share	(0.05)	(0.07)	0.02	N/A
Adjusted net (loss) income (3)	(103,056)	(597,611)	494,555	83%
Basic and diluted Adjusted (loss) earnings per share (3)	0.00	(0.04)	0.04	N/A

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

(2) Gross margin is calculated as Gross profit divided by Revenue and is expressed in percentage terms.

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

Revenue for the third quarter Fiscal 2019 totaled $7,818,328, compared to $4,974,879 in the third quarter Fiscal 2018, an increase of $2,843,449 or 57%. The increase is primarily due to increased number of units sold and greater after sale service revenues compared to the same period of Fiscal 2018. VOTI deployed 218 units in the quarter compared to 134 units during the same period of Fiscal 2018. Third quarter shipments were made to a broad range of existing and first-time customers over a wide geographic base. The Company completed deliveries on a repeat order from US Bank Stadium, as well as deliveries to first-time customer Ports America, the largest terminal operator in the U.S.

Gross profit increased to $3,118,326, or 40% of revenue, compared to $1,556,709 or 31% for the same period of Fiscal 2018. The gross margin increased by 9% compared to the same period of Fiscal 2018. The increase in gross margin is primarily the result of the increase in sales with higher margins as well as an increase in after sale service and extended warranty revenues.

General and administrative expenses increased to $1,135,695, compared to $933,681 for the same period of Fiscal 2018. The increase of $202,014 is primarily due to increased number of employees and higher wages, as well as additional costs associated with being publicly listed and other costs incurred to support the Company's growth.

Selling and distribution expenses increased to $1,403,032, compared to $869,295 for the same period of Fiscal 2018. The increase of $533,737 is primarily due to the increased number of sales and customer support personnel and consultants to support the Company's growth.

Research and development expenses decreased to $264,670, compared to $360,398 for the same period of Fiscal 2018. The decrease of $95,728 is primarily due to the capitalization of development costs in Fiscal 2018, offset by additional costs incurred to advance the Company's development plans.

Net financial expenses increased to $417,985, compared to $79,025 for the same period of Fiscal 2018. The increase of $338,960 is primarily due to increased interest charges in 2019 from increased borrowings and the addition of significant financing component interest on extended warranties.

Change in fair value of warrants increased to a $343,185 loss compared to nil for the same period of Fiscal 2018. The increase is due to a non-cash loss on re-measurement at fair value of the Company's warrants at July 31, 2019.

Share-based payments increased to $770,041, compared to $376,341 for the same period of Fiscal 2018. The increase of $393,700 is primarily due to the stock options granted under the new Stock option plan ("Plan") established on November 13, 2018, restricted share units granted under the new Restricted share unit plan ("RSU Plan") and deferred share units granted under the new Deferred share unit plan ("DSU Plan"), both established on November 13, 2018 as amended on March 22, 2019.

Net loss increased to $1,216,282, compared to $1,062,031 for the same period of Fiscal 2018. The increased loss of $154,251 in 2019 is primarily related to the unrealized loss on revaluation of warrants, the increase in net financial expenses, the increase of non-cash share-based payments and higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth, partially offset by the increase in gross profit.

Nine-month periods ended July 31, 2019 and 2018

The following table sets forth the major components of the Company's statement of (loss) income and comprehensive loss for the nine-month period ended July 31, 2019 compared to the corresponding period of 2018:

Nine-month periods ended July 31,	2019	2018	Variance	Variance (%)
Revenue	23,116,894	17,538,476	5,578,418	32%
Cost of goods sold	14,709,862	11,274,447	3,435,415	30%
Gross profit	8,407,032	6,264,029	2,143,003	34%
Gross margin (2)	*36%*	*36%*	*-%*	N/A
General and administrative expenses	3,781,863	2,241,759	1,540,104	69%
Selling and Distribution expenses	4,448,697	2,369,953	2,078,744	88%
Research and development expenses	568,355	928,636	(360,281)	(39%)
Net financial expenses	520,318	223,306	297,012	133%
Change in fair value of warrants	(767,548)	-	(767,548)	N/A
Share-based payments	1,871,462	764,239	1,107,223	145%
Reverse acquisition of Steamsand	964,038	-	964,038	N/A
Net income (loss)	(2,980,153)	(263,864)	(2,716,289)	(1029%)
Basic and diluted earnings (loss) per share	(0.13)	(0.02)	(0.11)	N/A
Adjusted net (loss) income (3)	(778,623)	588,454	(1,367,077)	232%
Basic and diluted Adjusted (loss) earnings per share (3)	(0.03)	0.04	(0.07)	N/A

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

(2) Gross margin is calculated as Gross profit divided by Revenue and is expressed in percentage terms.

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

Revenue for the nine-month period ended July 31, 2019 totaled $23,116,894, compared to $17,538,476 for the same period of Fiscal 2018, an increase of $5,578,418. The increase is primarily due to increased number of units sold and greater after sale service revenues compared to the same period of Fiscal 2018.

VOTI added 564 units to its global footprint of units deployed. Shipments were made to a broad range of customers over a wide geographic base and included first time shipments to Carnival Cruise Line for 91 units at nine of the company's North American cruise ship ports. Deliveries were also made on a first-time order from Ports America, the largest terminal operator in the U.S. In addition, the Company completed shipments on major orders received from repeat customers in Southeast Asia totaling 171 machines. This is the third year in a row that these customers are ordering additional machines from VOTI. Increasing its presence in the event space vertical, the Company also made significant inroads with franchises in major North American professional sports leagues.

Gross profit increased to $8,407,032, or 36% of revenue, compared to $6,264,029 or 36% for the same period of Fiscal 2018. The gross margin remained stable compared to the same period of Fiscal 2018.

General and administrative expenses increased to $3,781,863, compared to $2,241,759 for the same period of Fiscal 2018. The increase of $1,540,104 is primarily due to increased number of employees and higher wages, as well as additional costs associated with being publicly listed and other costs incurred to support the Company's growth.

Selling and distribution expenses increased to $4,448,697, compared to $2,369,953 for the same period of Fiscal 2018. The increase of $2,078,744 is primarily due to the increased number of sales and customer support personnel and consultants as well as increased marketing expenses to support the Company's growth.

Research and development expenses decreased to $568,355, compared to $928,636 for the same period of Fiscal 2018. The decrease of $360,281 is primarily due to the capitalization of development costs, offset by additional costs incurred to advance the Company's development plans.

Net financial expenses increased to $520,318, compared to $223,306 for the same period of Fiscal 2018. The increase of $297,012 is primarily due to increased interest charges in 2019 from increased borrowings and the addition of significant financing component interest on extended warranties, partially offset by increased foreign exchange gains.

Change in fair value of warrants increased to a $767,548 gain compared to nil for the same period of Fiscal 2018. The increased gain is due to a non-cash gain on re-measurement at fair value of the Company's warrants at July 31, 2019.

Share-based payments increased to $1,871,462, compared to $764,239 for the same period of Fiscal 2018. The increase of $1,107,223 is primarily due to the stock options granted under the new Stock option plan ("Plan") established on November 13, restricted share units granted under the new Restricted share unit plan ("RSU Plan") and deferred share units granted under the new Deferred share unit plan ("DSU Plan"), both established on November 13, 2018 as amended on March 22, 2019.

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

Net loss increased to $2,980,153, compared to $263,864 for the same period of Fiscal 2018. The increase of $2,716,289 in 2019 is primarily related to the increase of non-cash share-based payments, reverse acquisition of Steamsand expenses, and higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth. This was partially offset by a higher gross profit, as well as a gain on revaluation of warrants.

Financial Position

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

As at	July 31, 2019	October 31, 2018	Variance
Total Assets	**19,002,007**	**22,932,639**	**(3,930,632)**
Variance mainly due to:			
Cash	961,951	643,067	318,884
Restricted Cash	-	9,242,973	(9,242,973)
Trade and other receivables	7,146,625	2,228,594	4,918,031
Inventories	6,296,424	7,267,017	(970,593)
Capitalized listing fee expenses	-	924,190	(924,190)
Intangible assets	2,588,406	424,705	2,163,701
Total Liabilities	**11,445,648**	**23,406,756**	**(11,961,108)**
Variance mainly due to:			
Bank Indebtedness	-	1,860,000	(1,860,000)
Trade payables and accrued liabilities	5,335,345	6,673,475	(1,338,130)
Subscription receipts held for investors	-	9,242,973	(9,242,973)
Customer deposits	42,700	194,098	(151,398)
Deferred revenue	2,373,682	290,476	2,083,206
Shareholder loans	-	2,020,734	(2,020,734)
Convertible notes	-	2,575,000	(2,575,000)
Warrants	1,043,921	-	1,043,921
Term and long-term debt	2,650,000	550,000	2,100,000
Total Shareholders' Equity (Deficit)	**7,556,359**	**(474,117)**	**8,030,476**
Variance mainly due to:			
Share capital	33,809,962	18,616,079	15,193,883
Stock option reserve	1,726,068	5,781,038	(4,054,970)
Deficit	(27,591,774)	(24,701,919)	(2,889,855)

Cash increased to $961,951 at July 31, 2019 compared to $643,067 at October 31, 2018. The increase is primarily due to the release of the restricted cash, as described below, additional cash advanced through the Company's term debt, as well as the increase in advance payments on extended warranties, offset by the repayment of the Company's bank indebtedness, shareholder notes, term debt, and trade payables.

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

Trade and other receivables increased to $7,146,625 at July 31, 2019 compared to $2,228,594 at October 31, 2018. The increase of $4,918,031 is primarily due to increased sales in the third quarter of Fiscal 2019 compared to the same period of Fiscal 2018 as well as the timing of sales made near the end of the quarter and a change in credit terms mix.

Inventories decreased to $6,296,424 at July 31, 2019 compared to $7,267,017 at October 31, 2018. The decrease of $970,593 is primarily due to timing of raw material purchases.

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

Intangible assets increased to $2,588,406 at July 31,2019, compared to $424,705 at October 31, 2018. The increase of $2,163,701 is primarily due to capitalized development costs incurred during the nine-month period ending July 31, 2019. In keeping with industry standard and Management's expectation of future economic benefits directly related to certain development activities, the Company began capitalizing those costs in Q4 2018.

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

Trade payable and accrued liabilities decreased to $5,335,345 at July 31, 2019, compared to $6,673,475 at October 31, 2018. The decrease of $1,338,130 is primarily due to payments made to suppliers following the RTO transaction.

Deferred revenue increased to $2,373,682 at July 31, 2019, compared to $290,476 at October 31, 2018. The increase is primarily due to increased extended warranty sales which will be recognized over the warranty period.

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

Convertible notes decreased to nil at July 31, 2019, compared to $2,575,000 at October 31, 2018. On April 30, 2018, the Company issued $2,575,000 of convertible notes bearing interest at a rate of 12% per annum and maturing on April 30, 2021. Subsequent to October 31, 2018, these notes were converted into 858,332 common shares and 429,166 warrants giving the holders an option to purchase one common share for $4.50 up to 36 months following November 13, 2018 (see "Reverse takeover and private placement" section for details).

Warrants increased to $1,043,921 at July 31, 2019, compared to nil at October 31, 2018. On November 13, 2018, and in connection with the Company's RTO transaction, in addition to being converted into common shares of the Company, the subscription receipts and convertibles notes were converted into warrants. These warrants are classified as financial liabilities at FVTPL at July 31, 2019.

Term and long-term debt increased to $2,650,000 at July 31, 2019, compared to $550,000 at October 31, 2018. The term debt outstanding at October 31, 2018 was repaid during the nine-month period ended July 31, 2019. On January 8, 2019, the Company entered into a new revolving credit facility with Espresso Capital Ltd. which matures on June 30, 2022. The amount drawn at July 31, 2019 is $2,650,000 (See the "Liquidity and Capital Resources" section additional details).

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

Stock option reserve decreased to $1,726,068 at July 31, 2019, compared to $5,781,038 at October 31, 2018. The decrease of $4,054,970 is due to the VOTI Inc. stock options being exercised on a share appreciation basis for common shares of VOTI Inc. (see the "Reverse takeover and private placement" section for details), offset by the issuance of new stock options under the Company's stock option plan, as well as new deferred share units under the Company's deferred share unit plan and restricted share units under the Company's restricted share unit plan.

Deficit increased to $27,591,774 at July 31, 2019, compared to $24,701,919 at October 31, 2018. The increase of $2,889,855 is primarily due to the net loss incurred for the nine-month period ended July 31, 2019.

Liquidity and Capital Resources

Capital Management

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

Cash Flows

A summary of net cash flows by activity for the nine-month period ended July 31, 2019 compared to the corresponding period of 2018 is presented below:

Nine-month period ended July 31,	2019	2018	Variance
Net cash used in operating activities	(2,481,161)	(2,226,180)	(254,981)
Net cash used in investing activities	(2,493,082)	(167,828)	(2,325,254)
Net cash (used in) from financing activities	(3,850,964)	2,458,533	(6,309,497)
Net change in cash	(8,825,207)	64,525	(8,889,732)
Net effect of foreign exchange rate changes on cash	(98,882)	5,904	(104,786)
Cash and restricted cash, beginning of period	9,886,040	714,855	9,171,185
Cash, end of period	961,951	785,284	176,667

Net cash used in operating activities for the nine-month period ending July 31, 2019 increased by $254,981 when compared to the same period of Fiscal 2018. The increase in net cash used in operations primarily resulted from an increase in accounts receivable, the impact of a buildup in accounts payable in Fiscal 2018 prior to receiving the funds from the Company's successful going public transaction in November 2018, and higher costs related to supporting the Company's growth. These factors were partially offset by the increase in gross profit, increase in deferred revenue due to the sale of extended warranties, as well as a decrease in inventories.

Net cash used in investing activities increased by $2,325,254 when compared to the same period of Fiscal 2018 primarily resulting from additions to capitalized development costs.

Net cash used in financing activities increased by $6,309,497 compared to the same period of Fiscal 2018. The increase is primarily resulting from the repayment of bank indebtedness, shareholder loans and term debt, as well as share issuance cost related to the RTO transaction, partially offset by the proceeds from the new revolving credit facility with Espresso Capital Ltd.

Other Cash Considerations

Restricted cash and Subscription receipts held for investors

In August 2018, VOTI completed a private placement of 3,080,991 subscription receipts at a price of $3.00 per subscription receipt for aggregate gross proceeds of $9,242,973 less broker agent commission and issuance costs. The gross proceeds were held in trust until the RTO closed. Each subscription receipt was exchanged, upon completion of the RTO (see "Reverse takeover and private placement" section for details), into one VOTI Detection Inc. common share and one half of one VOTI Detection Inc. common share purchase warrant. The RTO was completed on November 13, 2018 and the gross proceeds less certain issuance costs were released to the Company (See the "Reverse takeover and private placement" section for more details).

Espresso Capital financing

On January 8, 2019, the Company entered into a revolving credit facility with Espresso Capital Ltd. which matures on June 30, 2022. The authorized credit limit at July 31, 2019 is $3,621,000 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 13 of the financial statements. The amount drawn-down on the facility as of September 12, 2019 is $2,650,000.

Term debt

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

Bank indebtedness & letters of guarantee

On June 25, 2019, The Company amended its existing credit facilities. The Company has an available revolving demand facility of $2,500,000 based on eligible accounts receivable and inventory and reduces to $500,000 on January 31, 2020. Amounts drawn under this facility bear interest at 1.5% above the bank's prime rate and is repayable on demand.

The Company also has a revolving demand facility of $670,000 by way of letters of guarantee in Canadian or American currency and 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 July 31, 2019, no amount (October 31, 2018 - $1,860,000) was drawn under the facility and there were letters of guarantee denominated in U.S. dollars totaling $644,358 in Canadian dollars equivalent.

The above facilities are secured by the following:

a) A deed of moveable hypothec representing all present and future obligations in the amount of $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 naming the facility bank as beneficiary;

c) Aggregate borrowings outstanding under both facilities are guaranteed by Export Development Canada up to 65%, and bears interest at 4.4% of the amount guaranteed;

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 the Company's Fiscal year end date.

Convertible notes

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

Shareholder loans

During Fiscal 2018, the Company received loans from a shareholder in the amount of $1,979,695. The terms of the loan include a placement fee of 1.5% and interest at 12% per annum and is repayable on demand. The loan was repaid during the nine-month period ending July 31, 2019.

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
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)
January 31, 2018	8,399,963	1,446,034	0.09	1,639,914	0.11
October 31, 2017	8,982,694	1,351,953	0.10	1,428,905	0.11

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 July 31, 2019:

	Carrying amount	Contractual Cash flows	Less than 1 year	2 to 5 years	More than 5 years
Trade accounts payable and accrued liabilities	5,335,345	5,335,345	5,335,345	-	-
Long-term debt (1)	2,650,000	2,650,000	-	2,650,000	-
Obligations under operating leases	-	1,479,211	397,582	1,081,629	-

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

Fair values

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

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

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

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

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

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

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

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

Investment policy

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

Derivatives

The Company did not enter into significant derivative contracts for the period ended July 31, 2019.

Additional Financing Requirements

For information regarding completed financing arrangements occurring during the quarter ended July 31, 2019, including the Company's going public transaction and concurrent private placement, refer to the "Reverse takeover transaction and private placement" section of this MD&A. The Company intends to undertake equity or debt financings in the future as required by the business and depending on market conditions.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of obligations under operating leases. The Company does not currently have any other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material.

Related Party Transactions

The following transactions took place in the normal course of business. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties.

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

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

Trade payables and accrued liabilities at July 31, 2019 includes $ 198,564 ($131,914 at October 31, 2018) owed to key management personnel.

The remuneration of directors and other key management personnel during the three-month and nine-month periods ending July 31 are as follows:

	Three-month periods ended July 31,		Nine-month periods ended July 31,	
	2019	2018	**2019**	2018
	$		**$**	
Short-term benefits	**536,738**	430,563	**1,528,086**	1,295,672
Share-based payments	**678,872**	329,156	**1,517,581**	691,566

Outstanding Share Data

At July 31, 2019, the Company has 23,494,755 common shares issued and outstanding, 1,969,662 warrants, 144,238 compensation options and 2,165,000 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 and nine-month periods ending July 31:

	Three months ended July 31,		Nine months ended July 31,	
	2019	2018	**2019**	2018
			%	%
Asia-Pacific	**47%**	**47%**	**41%**	63%
Europe, Middle East, and Africa	**9%**	**18%**	**9%**	17%
United States	**40%**	**24%**	**42%**	11%
Canada	**4%**	**11%**	**7%**	9%
Other	**-**	**-**	**1%**	-
	100%	**100%**	**100%**	100%

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

	2019	2018
	$	$
Canada	**3,034,343**	696,159
Malaysia	**67,294**	73,952
United Arab Emirates	**58,694**	20,602
	3,160,331	790,713

Critical Accounting Estimates

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

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of information were the same as those applied to the audited consolidated financial statements for the year ended October 31, 2018.

Changes in significant accounting policies

On November 1, 2018, the Company adopted the new rules under IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which replaces IAS 11, "Construction Contracts", and IAS 18, "Revenue", as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. The adoption of the new revenue standard did not have a significant impact on the Company's financial statements.

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

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

The Company accounts for a significant financing component on contracts of more than 12 months where timing of cash receipts and revenue recognition differ substantially. The Company has certain extended warranty contracts where cash is received before the delivery of service and therefore a significant financing component is accounted for when certain criteria are met. The transaction price of such contracts is adjusted to reflect the time value of money using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception. The result is that interest expense is accrued during the advance period and the transaction price will be increased by a corresponding amount.

Recent Accounting Pronouncements

Standards, interpretations and amendments issued but not yet effective;

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

Business Risks

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

Disclosure controls and procedures and internal control over financial reporting

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.