Management's Discussion and Analysis of

VOTI DETECTION INC.

(formerly Steamsand Capital Corp.)

For the year ended October 31, 2019

Table of Contents

Basis of Presentation 3
Forward-Looking Statements 3
Business Strategy 4
Trends and Seasonality....5
Financial Highlights 6
Non-IFRS Financial Measures 7
Reverse takeover transaction and private placement....10
Marketed offering....11
Results of Operations....12
Financial Position 16
Liquidity and Capital Resources 18
Selected Quarterly Information....21
Dividend Policy....21
Financial Instruments and Risk Management 21
Additional Financing Requirements....25
Off-Balance Sheet Arrangements....25
Related Party Transactions 25
Outstanding Share Data....26
Segment Reporting 26
Critical Accounting Estimates....26
Changes in significant accounting policies....27
Recent Accounting Pronouncements 29
Events after reporting period 29
Business Risks....29
Disclosure controls and procedures and internal control over financial reporting....29

Basis of Presentation

The following has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial condition as at October 31, 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 twelve-month periods ended October 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 February 19, 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 and 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 Detection Inc. and notes thereto for the years ended October 31, 2019 and October 31, 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 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].

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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

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

- Critical Assets and Infrastructures – data centers and telecom installations; government buildings; energy
- infrastructure and public utilities; offices and corporate headquarters; metal refineries and mining sites.
- Transportation – mass transit systems; airports (cargo); rail transit facilities; cruise ship terminals; logistics operations.
- Secured Perimeters and Buildings – schools and universities; justice and correction centers; police stations and military sites; events and attractions.
- Ports and Borders – land checkpoints; seaports; customs.
- Commercial, Manufacturing and Retail – warehouses; fulfillment and manufacturing facilities; retail locations.

Trends and Seasonality

Industry Trends

Despite the billions of dollars spent on R&D since the events of 9/11, x-ray screening systems remain the 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 year ended October 31, 2019

- Revenue for the Fiscal year ended October 31, 2019 totaled $28,427,023, compared to $23,006,852 in Fiscal 2018, an increase of $5,420,171, representing growth of 24%, in line with the company's guidance of 25% growth in revenues for the year. The increase is primarily due to increased number of units sold and greater after sale service revenues compared to the Fiscal 2018.
- VOTI sold 704 security scanning system units during Fiscal 2019, compared to 592 in Fiscal 2018. Sales 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 their North American cruise ship ports. Sales 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 196 machines. This is the third year in a row that these customers are ordering additional machines from VOTI. Increasing its presence in the events and entertainment vertical, the Company also made significant inroads with franchises in major North American professional sports leagues.
- Gross profit increased to $10,197,026 or 36% of revenue, compared to $7,364,046 or 32% for the same period in Fiscal 2018. The increase in gross margin is primarily due to an increase in average selling price per scanner and an increase in after sales services and extended warranties that carry higher margins.
- Net loss in Fiscal 2019 increased to $4,294,647 compared to a net loss of $3,687,524 in Fiscal 2018. The increase of $607,123 is primarily related to the increase of reverse acquisition of Steamsand expenses, higher costs related to being publicly listed, an increased number of personnel and consultants to support the Company's growth and an increase of non-cash share-based payment expenses. This was partially offset by a higher gross profit, as well as a gain on revaluation of warrants and increased capitalization of development costs.
- Adjusted net loss in Fiscal 2019 increased to ($1,994,675), compared to an adjusted net income (loss) of ($1,423,085) in Fiscal 2018.
- Adjusted EBITDA in Fiscal 2019 decreased to ($721,315), compared to ($649,021) in Fiscal 2018. The decrease of ($72,294) is primarily related to higher costs associated with being publicly listed and an increased number of personnel and consultants to support the Company's growth, partially offset by 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.
- 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.

For the three-month period ended October 31, 2019

- Revenue for the fourth quarter Fiscal 2019 totaled $5,310,129, compared to $5,468,376 in the fourth quarter Fiscal 2018, a decrease of $158,247 or 3%. Fourth 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 professional sports and entertainment venues, as well as deliveries to first-time customer Ports America, the largest terminal operator in the U.S.
- Gross profit increased to $1,789,994, or 34% of revenue, compared to $1,100,017 or 20% for the same period of Fiscal 2018. The gross margin increased by 14% 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 decreased to $1,314,494 compared to $3,423,660 for the same period of Fiscal 2018. The decrease in loss of $2,109,166 in the fourth quarter of Fiscal 2019 compared to the same period of Fiscal 2018 is primarily related to the unrealized gain on revaluation of warrants, increased gross profit and the decrease in share-based payments expenses.
- Adjusted net loss decreased to $1,216,052 compared to an adjusted net loss of $2,011,539 for the same period of Fiscal 2018.

- Adjusted EBITDA increased to ($612,150) compared to ($1,519,459) for the same period of Fiscal 2018. The increase of $907,309 is primarily related to higher gross profit 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 efforts for growth and scalability.
- On October 10, 2019, the Company issued 3,077,902 common shares through a marketed offering to the public at $1.75 per share for total gross proceeds of $5,386,329.

Selected Annual Financial Information

The selected financial information below was derived from the Company's October 31, 2019, 2018 and 2017 financial statements, prepared in accordance with IFRS.

As at	October 31, 2019	October 31, 2018	October 31, 2017
Financial position			
Cash	1,941,507	643,067	714,855
Total assets	23,152,381	22,932,639	9,347,432
Total debt[2]	3,233,000	7,005,734	1,229,848
Shareholders' equity (deficit)	11,479,625	(474,117)	989,339

Year ended	October 31, 2019	October 31, 2018	October 31, 2017
Loss and comprehensive loss			
Revenue	28,427,023	23,006,852	18,462,971
Net loss	(4,294,647)	(3,687,524)	(2,463,680)
Comprehensive loss	(4,415,612)	(3,639,816)	(2,771,001)
Basic and diluted loss per share	(0.18)	(0.24)	(0.18)
Cash flows provided by (used in)			
Operating activities	(5,253,628)	(4,469,918)	(2,866,851)
Investing activities	(3,775,258)	(713,014)	(111,896)
Financing activities	1,140,812	14,506,790	3,025,562

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.

[2] Total debt consists of bank indebtedness, term debt, shareholder loans, convertible notes and long-term debt

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 October 31,		Fiscal year ended October 31,	
	2019	2018	2019	2018
Revenue	5,310,129	5,468,376	28,427,023	23,006,852
Net (loss) income	(1,314,494)	(3,423,660)	(4,294,647)	(3,687,524)
Financial (income) expenses[3]	434,979	466,393	955,297	689,699
Depreciation and amortization	168,923	25,687	318,063	84,365
EBITDA	(710,592)	(2,931,580)	(3,021,287)	(2,913,460)
Share based payments[4]	646,125	1,412,121	2,517,587	2,176,360
Change in fair value of warrants	(547,683)	-	(1,315,231)	-
Reverse acquisition[5]	-		964,038	88,079
Unusual and non-recurring items				
Severance[6]	-	-	65,420	-
Other items[7]	-	-	68,158	-
Adjusted EBITDA	(612,150)	(1,519,459)	(721,315)	(649,021)
Adjusted EBITDA margin (%)	(12%)	(28%)	(3%)	(3%)

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

[4] 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.

[5] 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.

[6] Severance includes termination payments expense during the period.

[7] 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) to Adjusted net income (loss) is as follows:

	Three-months ended October 31,		Fiscal year ended October 31,	
	2019	2018	2019	2018
Net income (loss)	(1,314,494)	(3,423,660)	(4,294,647)	(3,687,524)
Change in fair value of warrants	(547,683)	-	(1,315,231)	-
Share based payments[8]	646,125	1,412,121	2,517,587	2,176,360
Reverse acquisition[9]	-	-	964,038	88,079
Unusual and non-recurring items				
Severance[10]	-	-	65,420	-
Other items[11]	-	-	68,158	-
Adjusted net income (loss)	(1,216,052)	(2,011,539)	(1,994,675)	(1,423,085)

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

	Three-months ended October 31,		Fiscal year ended October 31,	
	2019	2018	2019	2018
Basic and diluted (loss) earnings per share	(0.05)	(0.22)	(0.18)	(0.24)
Impact of adjustments to net (loss) income	0.00	0.09	0.09	0.15
Adjusted (loss) earnings per share	(0.05)	(0.13)	(0.09)	(0.09)

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

[8] 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

[9] 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.

[10] Severance includes termination payments expense during the period.

[11] Other items include non-recurring professional fees.

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-months ended October 31,		Fiscal year ended October 31,	
	2019	2018	2019	2018
Basic and diluted (loss) earnings per share	(0.05)	(0.22)	(0.18)	(0.24)
Impact of adjustments to weighted average common shares outstanding	-	0.06	-	0.08
Post consolidated (loss) earnings per share	(0.05)	(0.16)	(0.18)	(0.16)

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

	Three-months ended October 31,		Fiscal year ended October 31,	
	2019	2018	2019	2018
Adjusted (loss) earnings per share	(0.05)	(0.13)	(0.09)	(0.09)
Impact of adjustments to weighted average common shares outstanding	-	0.04	-	0.03
Post consolidated adjusted (loss) earnings per share	(0.05)	(0.09)	(0.09)	(0.06)

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 21 of the annual 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 15 of the annual 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 annual 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 annual consolidated financial statements, net of certain issuance costs described in note 5 of the annual 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. The annual 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.

Marketed public offering

On October 10, 2019, the Company issued 3,077,902 common shares through a marketed prospectus offering to the public at $1.75 per share, totaling gross proceeds of $5,386,329. Share issuance costs included $802,013 plus 88,427 agent compensation options issued and were recorded within the Company's share capital. The costs include professional legal fees, professional accounting fees, consulting fees, and regulatory fees, all of which were incremental costs relating to issuing new shares.

Each compensation option gives the holder the right to purchase one common share for $1.75 up to 24 months following October 10, 2019. These compensation options are recorded at fair value of $62,517 using the Back-Scholes option pricing model and were recorded as a reduction of share capital.

Results of Operations

Fiscal years ended October 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 Fiscal years ended October 31, 2019 and October 31, 2018:

Fiscal year ended October 31,	2019	2018	Variance[12]	Variance (%)
Revenue	28,427,023	23,006,852	5,420,171	24%
Cost of goods sold	18,229,997	15,642,806	2,587,191	17%
Gross profit	10,197,026	7,364,046	2,832,980	38%
Gross margin[13]	36%	32%	4%	N/A
General and administrative expenses	4,810,621	3,437,247	1,373,374	40%
Selling and Distribution expenses	5,912,998	3,587,838	2,325,160	65%
Research and development expenses	646,363	1,160,426	(514,063)	(44%)
Net financial (income) expenses	955,297	689,699	265,598	39%
Change in fair value of warrants	(1,315,231)	-	(1,315,231)	N/A
Share-based payments	2,517,587	2,176,360	341,227	16%
Reverse acquisition	964,038	-	964,038	N/A
Net loss	(4,294,647)	(3,687,524)	(607,123)	16%
Basic and diluted earnings (loss) per share	(0.18)	(0.24)	0.06	N/A
Adjusted net (loss) income[14]	(1,994,675)	(1,423,085)	(571,590)	(40%)
Basic & diluted Adj. (loss) earnings per share[14]	(0.09)	(0.09)	0	N/A

Revenue for the Fiscal year ended October 31, 2019 totaled $28,427,023, compared to $23,006,852 in Fiscal 2018, an increase of $5,420,171. The increase is primarily due to increased number of units sold and greater after sale service revenues compared to Fiscal 2018.

VOTI sold 704 security scanning system units during Fiscal 2019, compared to 592 in Fiscal 2018. Sales 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 their North American cruise ship ports. Sales 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 196 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 $10,197,026 or 36% of revenue, compared to $7,364,046 or 32% for the same period in Fiscal 2018. The increase in gross margin is primarily due to an increase in the average selling price per scanner and an increase in after sales services and extended warranties that carry higher margins.

General and administrative expenses increased to $4,810,621 compared to $3,437,247 for the same period in Fiscal 2018. The increase of $1,373,374 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 $5,912,998, compared to $3,587,838 for the same period in Fiscal 2018. The increase of $2,325,160 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.

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

[13] Gross margin is calculated as Gross profit divided by Revenue and is expressed in percentage terms.

[14] 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

Research and development expenses decreased to $646,363, compared to $1,160,426 for the same period in Fiscal 2018. The decrease of $514,063 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 $955,297 compared to $689,699 for the same period in Fiscal 2018. The increase of $265,598 is primarily due to an increase in significant financing component interest on extended warranties, partially offset by lower overall borrowed funds and a positive foreign exchange rate impact.

Change in fair value of warrants increased to a $1,315,231 gain compared to nil for the same period in Fiscal 2018. The increased gain is due to a non-cash gain on the fair value measurement of the Company's warrants at October 31, 2019.

Share-based payments increased to $2,517,587 compared to $2,176,360 for the same period in Fiscal 2018. The increase of $341,227 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, partially offset by a decrease related to the acceleration of VOTI Inc. stock options in the fourth quarter of Fiscal 2018, ahead of the completion of the RTO in November 2018.

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

Net loss increased to $4,294,647 compared to $3,687,524 for the same period in Fiscal 2018. The increase of $607,123 in 2019 is primarily related to costs associated with the Company's reverse acquisition of Steamsand, additional costs associated with being publicly listed, an increased number of personnel and consultants to support the Company's growth and increase in non-cash share-based payments, partially offset by the increase in gross profit, gain on revaluation of warrants and the increase in capitalization of development costs.

Three-month periods ended October 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 October 31, 2019 and October 31, 2018:

Three-months ended October 31,	2019	2018	Variance[15]	Variance (%)
Revenue	5,310,129	5,468,376	(158,247)	(3%)
Cost of goods sold	3,520,135	4,368,359	(848,224)	(19%)
Gross profit	1,789,994	1,100,017	689,977	63%
Gross margin[16]	34%	20%	14%	N/A
General and administrative expenses	1,028,758	1,195,488	(166,730)	(14%)
Selling and Distribution expenses	1,464,301	1,217,885	246,416	20%
Research and development expenses	78,008	231,790	(153,782)	(66%)
Net financial (income) expenses	434,979	466,393	(31,414)	7%
Change in fair value of warrants	(547,683)	-	(547,683)	N/A
Share-based payments	646,125	1,412,121	(765,996)	(54%)
Net loss	(1,314,494)	(3,423,660)	2,109,166	62%
Basic and diluted earnings (loss) per share	(0.05)	(0.22)	0.17	N/A
Adjusted net (loss) income[17]	(1,216,052)	(2,011,539)	795,487	40%
Basic and diluted Adjusted (loss) earnings per share[17]	(0.05)	(0.13)	0.08	N/A

Revenue for the three-month period ended October 31, 2019 totaled $5,310,129, compared to $5,468,376 in the same period in Fiscal 2018, a decrease of $158,247 or 3%. The decrease is primarily due to a decrease in the average selling price per unit, partially offset by an increase in units sold compared to the same period of Fiscal 2018. VOTI deployed 140 units in the quarter compared to 122 units during the same period of Fiscal 2018. Fourth quarter shipments were made to a broad range of existing and first-time customers over a wide geographic base.

Gross profit increased to $1,789,994, or 34% of revenue, compared to $1,100,017 or 20% for the same period of Fiscal 2018. The gross margin increased by 14% 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 decreased to $1,028,758, compared to $1,195,488 for the same period of Fiscal 2018.

Selling and distribution expenses increased to $1,464,301 compared to $1,217,885 for the same period in Fiscal 2018. The increase of $246,416 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 $78,008 compared to $231,790 for the same period in Fiscal 2018. The decrease of $153,782 is primarily due to the capitalization of development costs, offset by additional costs incurred to advance the Company's development plans.

Net financial expenses decreased to $434,979 compared to $466,393 for the same period in Fiscal 2018. The decrease of $31,414 is primarily due to lower overall borrowed funds during the quarter, a positive foreign exchange rate impact, partially offset by an increase related to the significant financing component interest on extended warranties.

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

[16] Gross margin is calculated as Gross profit divided by Revenue and is expressed in percentage terms.

[17] 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

Change in fair value of warrants increased to a $547,683 gain compared to nil for the same period in Fiscal 2018. The increase is due to a non-cash gain on re-measurement at fair value of the Company's warrants at October 31, 2019.

Share-based payments decreased to $646,125 compared to $1,412,121 for the same period in Fiscal 2018. The decrease of $765,996 is primarily due to the acceleration of stock-based compensation expenses in the fourth quarter of Fiscal 2018, ahead of the completion of the RTO in November 2018.

Net loss decreased to $1,314,494 compared to $3,423,660 for the same period of Fiscal 2018. The decrease in loss of $2,109,166 in the fourth quarter of Fiscal 2019 compared to the same period of Fiscal 2018 is primarily related to the unrealized gain on revaluation of warrants, increased gross profit and the decrease in share-based payments expenses.

Financial Position

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

As at October 31,	2019	2018	Variance
Total Assets	23,152,381	22,932,639	219,742
Variance mainly due to:			
Cash	1,941,507	643,067	1,298,440
Restricted Cash	-	9,242,973	(9,242,973)
Trade and other receivables	7,713,621	2,228,594	5,485,027
Inventories	7,941,110	7,267,017	674,093
Capitalized listing fee expenses	-	924,190	(924,190)
R&D tax credits receivable	372,282	719,780	(347,498)
Intangible assets	3,396,868	424,705	2,972,163
Property and equipment	844,190	366,008	478,182
Total Liabilities	11,672,756	23,406,756	(11,734,000)
Variance mainly due to:			
Bank Indebtedness	330,000	1,860,000	(1,530,000)
Trade payables and accrued liabilities	5,284,374	6,673,475	(1,389,101)
Subscription receipts held for investors	-	9,242,973	(9,242,973)
Deferred revenue	2,500,565	290,476	2,210,089
Shareholder loans	-	2,020,734	(2,020,734)
Convertible notes	-	2,575,000	(2,575,000)
Warrants	500,294	-	500,294
Term debt	253,000	550,000	(297,000)
Long-term debt	2,650,000	-	2,650,000
Total Shareholders' Equity (Deficit)	11,479,625	(474,117)	11,953,742
Variance mainly due to:			
Share capital	38,331,761	18,616,079	19,715,682
Stock option reserve	2,434,710	5,781,038	(3,346,328)
Deficit	(28,906,268)	(24,701,919)	(4,204,349)

Cash increased to $1,941,507 at October 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 and long-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 during Fiscal 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 $7,713,621 at October 31, 2019 compared to $2,228,594 at October 31, 2018. The increase of $5,485,027 is primarily due to increased sales in Fiscal 2019, as well as a change in credit terms mix and sales made near the end of the year.

Inventories increased to $7,941,110 at October 31, 2019 compared to $7,267,017 at October 31, 2018. The increase of $674,093 is primarily due to timing of raw material purchases.

Capitalized listing fee expense decreased to nil at October 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.

Research and developments tax credits receivable decreased to $372,282 at October 31, 2019 compared to $719,780 at October 31, 2018. The decrease of $347,498 is primarily due to the collection of the Company's Fiscal 2018 and Fiscal 2017 tax credits in Fiscal 2019, as well as the decrease in the refundable tax credit rate, partially offset by increased eligible expenditures.

Intangible assets increased to $3,396,868 at October 31,2019, compared to $424,705 at October 31, 2018. The increase of $2,972,163 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.

Property and equipment increased to $844,190 at October 31, 2019 compared to $366,008 at October 31, 2018. The increase of $478,182 is primarily due to building additional demonstration units and renovations of the Company's engineering lab and assembly facility, both in order to support the Company's growth initiatives.

Bank Indebtedness decreased to $330,000 at October 31, 2019, compared to $1,860,000 at October 31, 2018. The decrease of $1,530,000 is due to the Company having more cash on hand at the end of Fiscal 2019 (see the "Liquidity and Capital Resources" section for more details).

Trade payables and accrued liabilities decreased to $5,284,374 at October 31, 2019, compared to $6,673,475 at October 31, 2018. The decrease of $1,389,101 is primarily due to payments made to suppliers following the RTO transaction, partially offset by increased expenditures at the end of Fiscal 2019 compared to Fiscal 2018.

Deferred revenue increased to $2,500,565 at October 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 October 31, 2019, compared to $2,020,734 at October 31, 2018. The loans were repaid during Fiscal 2019.

Convertible notes decreased to nil at October 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 $500,294 at October 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 October 31, 2019.

Term debt decreased to $253,000 at October 31, 2019, compared to $550,000 at October 31, 2018. The term debt outstanding at October 31, 2018 was fully repaid in January 2019, and in August 2019 the Company entered into an additional credit facility agreement, from which it borrowed $253,000 (refer to note 17).

Long-term debt increased to $2,650,000 at October 31, 2019, compared to nil at October 31, 2018. On January 8, 2019, the Company entered into a new revolving credit facility with Espresso Capital Ltd., a venture debt provider, which matures on June 30, 2022. The amount drawn at October 31, 2019 is $2,650,000 (See the "Liquidity and Capital Resources" section for additional details).

Share capital increased to $38,331,761 at October 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) as well as the issuance of common shares through the Company's marketed offering during the fourth quarter of Fiscal 2019.

Stock option reserve decreased to $2,434,710 at October 31, 2019, compared to $5,781,038 at October 31, 2018. The decrease of $3,346,328 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 $28,906,268 at October 31, 2019, compared to $24,701,919 at October 31, 2018. The increase of $4,204,349 is primarily due to the net loss incurred in Fiscal 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 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 Fiscal years ended October 31, 2019 and October 31, 2018 is presented below:

Fiscal year ended October 31,	2019	2018	Variance
Net cash used in operating activities	(5,253,628)	(4,469,918)	(783,710)
Net cash used in investing activities	(3,775,258)	(713,014)	(3,062,244)
Net cash from financing activities	1,140,812	14,506,790	(13,365,978)
Net change in cash	(7,888,074)	9,323,858	(17,211,932)
Net effect of foreign exchange rate changes on cash	(56,459)	(152,673)	96,214
Cash and restricted cash, beginning of period	9,886,040	714,855	9,171,185
Cash, end of period	1,941,507	9,886,040	(7,944,533)

Net cash used in operating activities in Fiscal 2019 increased by $783,710 when compared to Fiscal 2018. The increase in net cash used in operations primarily resulted from an increase in trade receivables and supplier payments, partially offset by increased collection of cash from upfront extended warranty payments and research and development tax credits receivable, and a positive impact from a change in customer deposits, inventories, prepaid expenses and deposits and capitalized listing fees.

Net cash used in investing activities increased by $3,062,244 when compared to Fiscal 2018 primarily resulting from additions to capitalized development costs.

Net cash from financing activities decreased by $13,365,978 compared to Fiscal 2018. The decrease primarily resulted from cash received in Fiscal 2018 related to the private placement and convertible notes in connection with the RTO, repayment of bank indebtedness and shareholder loans, increased interest expenses, as well as share issuance cost related to the RTO transaction, partially offset by the proceeds from the issuance of new common shares from the Company's public marketed offering and the 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 and as amended subsequently, 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 October 31, 2019 the Company's authorized credit limit is $3,873,000 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 October 31, 2019 was $2,650,000.

The Company must respect certain covenants and financial ratios associated with the facility, including a maximum debt to market capitalization ratio of 15%. As at October 31, 2019, all covenants were respected.

On January 17, 2020 the company drew an additional amount of $1,000,000 under this facility, to be repaid on April 30, 2020. As part of this additional draw, the debt to market capitalization ratio was increased to a maximum of 20% until repayment of the additional draw.

Term debt

The Company had a debt facility for an initial amount of $712,000, bearing interest at 11.2% compounded monthly, based on research and development tax credits to be received for the 2017 and 2018 fiscal years. The facility was secured by a movable hypothec on the universality of movable property for an amount of $800,000. The amount owed as at October 31, 2018 was $550,000. $138,000 was repaid on November 14, 2018 and the balance of $412,000 was repaid on January 11, 2019.

On August 2, 2019 the company entered into a credit facility agreement with Investissement Quebec 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% 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 October 31, 2019 the Company has drawn an amount of $253,000 from this facility.

Bank indebtedness & letters of guarantee

On June 25, 2019, the Company amended its existing credit facility. 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 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 October 31, 2019, an amount of $330,000 (October 31, 2018 - $1,860,000) 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 October 31, 2019, all covenants were respected. The revolving demand facility reduces to $500,000 on March 31, 2020.

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 fully repaid during Fiscal 2019.

Income tax losses and unused research and development expenditures carried forward

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

	Federal	Provincial
	$	$
2028	142,046	183,822
2029	314,610	356,076
2030	1,147,430	1,180,620
2031	1,586,034	1,602,465
2032	2,932,235	2,904,519
2033	1,436,082	1,425,905
2034	2,546,536	2,488,710
2035	2,482,556	2,482,535
2036	1,884,832	1,884,830
2037	1,266,823	1,266,822
2038	1,308,050	1,315,841
2039	2,111,880	2,111,880
	19,159,114	19,204,025

In addition, the company has available unused research and development expenditures for income taxes purposes of $2,877,687. These expenses are available to reduce taxable income of future years.

As at October 31, 2019, a deferred income tax asset has not been recognized on losses, research and development expenditures and deductible temporary differences of $26,278,366 as the company has assessed that they will not be able to use these assets in the foreseeable future. At each successive balance sheet date, the company will re-assess if it is more likely than not that this asset meets the criteria for recognition.

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
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)
January 31, 2018	8,399,963	1,446,034	0.09	1,639,914	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:

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.

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

	2019	2018
	$	$
0-30 days	3,776,347	1,800,919
31-60 days	351,694	89,775
61-90 days	2,623,309	-
Over 91 days	432,068	-
	7,183,418	1,890,694

Concentration of credit risk

Three customers (five in 2018) represented approximately 72% of the trade accounts receivable balance at October 31, 2019 (80% at October 31, 2018).

	2019	2018
	%	%
Credit risk related to accounts receivable		
Customer A	48	-
Customer B	13	-
Customer C	11	-
Customer D	-	22
Customer E	-	19
Customer F	-	15
Customer G	-	14
Customer H	-	10

In addition, the Company generated 57% (47% in 2018) of its revenue from three customers (two in 2018) in the approximate amount of $14 million ($10.9 million in 2018) and broken down as follows:

	2019	2018
	%	%
Customer A	22	26
Customer B	14	-
Customer C	11	-
Customer D	-	21

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 October 31, 2019:

	Carrying amount	Contractual Cash flows	Less than 1 year	1 to 3 years
	$	$	$	$
Bank indebtedness	330,000	330,000	330,000	-
Trade payables and accrued liabilities	5,070,028	5,070,028	5,070,028	-
Term debt	253,000	253,000	253,000	-
Obligations under operating leases	-	1,251,117	339,446	911,671
Long-term debt[18]	2,650,000	2,650,000	-	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.

[18] 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

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

	$
Cash	39,080
Short-term investments	48,684
Trade and other receivables	1,116,098
Research and development tax credits receivable	372,282
Trade payables and accrued liabilities	(3,589,852)
Bank indebtedness	(330,000)
Term debt	(253,000)
Warrants liability	(500,294)
Long-term debt	(2,650,000)
	(5,747,002)

In 2019, a variation of 10% of the Canadian dollar against the U.S. dollar would have an impact of approximately $574,700 ($967,000 in 2018) on net loss.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Company has bank loans available at variable interest rates; therefore, it is exposed to future cash flow risk as a result of potential rate fluctuations. The Company also has term debt and 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.

In 2019, a variation of 50 basis points while holding all other variables constant would have an impact of approximately $14,500 ($9,300 in 2018) on net loss.

Fair values

Financial assets and financial liabilities are measured on an ongoing basis at amortized cost. The disclosures in the "Financial instruments" section of 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, 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.

The fair values of cash, restricted cash and bank indebtedness are measured as level 1.

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.

The fair values short-term investments, trade and other receivables, research and development tax credits receivable, trade payables and accrued liabilities, term debt, warrants and long-term debt approximate their carrying values and as such are measured as level 2.

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 October 31, 2019.

Additional Financing Requirements

For information regarding completed financing arrangements occurring Fiscal 2019, including the Company's going public transaction and concurrent private placement, refer to the "Reverse takeover transaction and private placement" and "Marketed offering" sections 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 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.

Trade payables and accrued liabilities at October 31, 2019 includes $29,423 ($131,914 at October 31, 2018) owed to key management personnel.

The following table summarizes the remuneration of directors and key management personnel during the year:

	2019	2018
	$	$
Short-term benefits	1,640,312	2,046,306
Share-based payments	2,003,729	1,848,594

Outstanding Share Data

At October 31, 2019 the Company has 26,572,657 common shares issued and outstanding, 1,969,662 warrants, 232,665 compensation options and 2,135,000 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 fiscal years ended:

	2019	2018
Asia-Pacific	36%	47%
Europe, Middle East, and Africa	9%	18%
United States	46%	24%
Canada	5%	11%
Other	4%	-
	100%	100%

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

	2019	2018
	$	$
Canada	4,107,650	696,159
Malaysia	64,445	73,952
United Arab Emirates	68,963	20,602
	4,241,058	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 the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognized in the consolidated financial statements:

Research and development tax credits receivable

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

Share-based payments

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

Valuation of inventory

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

Warranties

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

Development costs

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

Expected credit loss

In accordance with the guidance of IFRS 9, *Financial Instruments*, Management estimates exposures related to the Company's trade receivable balances and determines whether impairment allowance is required for each individual balance, based on the respective stand-alone customer credit risk.

In its assessment, management uses quantitative criteria and experienced credit risk judgement in identifying whether a new significant risk has risen and if an identified one has increased from previous assessment.

Changes in significant accounting policies

IFRS 9, Financial Instruments

On November 1, 2018, the Company adopted IFRS 9, *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards, which applies to fiscal years beginning on or after January 1, 2018. The Company has retrospectively applied IFRS 9, recognizing the cumulative effect of initial application at the date of initial application, which was nominal, and resulted in no restatement of comparative figures.

Financial instrument classification

The adoption of IFRS 9 changes the Company's financial instrument classification accounting policies. The Company has not applied the requirements to instruments that have already been derecognized as at November 1, 2018.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company reviewed and assessed the existing financial assets as at November 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 had the following impact on the Company's financial assets with regards to their classification and measurement:

- Cash and trade accounts and other receivables, which had been classified as loans and receivables before IFRS 9 adoption, are now classified and subsequently measured at amortized cost; and
- Bank indebtedness, accounts payable and accrued liabilities and long-term debt, which had been classified as other financial liabilities before IFRS 9 adoption, are now classified and subsequently measured at amortized cost.

Impairment of financial assets

The adoption of IFRS 9 changes the method used to calculate trade accounts and other receivables impairment.

According to IFRS 9, the impairment of financial assets is determined using an expected credit loss model. Prior to the adoption of this standard, the financial asset impairment had been based on an incurred loss model that required a loss event to occur before a credit loss was measured.

The adoption of the IFRS 9 standard did not have a significant impact on the impairment of trade accounts and other receivables.

Impact of application of IFRS 9 on financial performance

The adoption of IFRS 9 did not significantly impact the Company's financial statements for the year ended October 31, 2019.

IFRS 15, Revenue from Contracts with Customers

On November 1, 2018, the Company adopted 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 core principle of IFRS 15 is to recognize revenue when a customer obtains control of the goods or services, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 establishes a comprehensive framework, based on a 5-Step Analysis Model, to determine how much and when revenue should be recognized:

STEP 1 – Identify the Contract with the Customer;

STEP 2 – Identify the Performance Obligations in the Contract;

STEP 3 – Determine the Transaction Price;

STEP 4 – Allocate the Transaction Price to the Performance Obligations in the Contract;

STEP 5 – Recognize Revenue when (or as) the Entity Satisfies a Performance Obligation;

The standard also expands current disclosure requirements.

IFRS 15 can be applied using one of the following two methods: retrospectively to each prior reporting period presented in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospectively with the cumulative effect of applying IFRS 15 recognized at the date of initial application.

The Company adopted this standard on a retrospective basis which resulted in no significant adjustment to the opening retained earnings as at November 1, 2018.

Recent Accounting Pronouncements

Standards, interpretations and amendments issued but not yet effective

IFRS 16, *Leases*, replaces IAS 17, *Lease*s. 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 is effective for annual periods beginning on or after January 1, 2019 and as such was adopted by the Company on November 1, 2019. Management continues to evaluate the impact this standard will have on its consolidated financial statements.

Events after the reporting period

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.

Stock option plan

On November 14, 2019, the Company granted 320,000 stock options under the Plan to its employees, at an exercise price of $1.75 per share, of which 100,000 were granted to key management personnel.

Business Risks

A widespread health epidemic could adversely affect our business

Our business could be severely affected by a widespread regional, national or global health epidemic, (e.g. Coronavirus) by disrupting 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.

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.