Management's Discussion and Analysis of

VOTI DETECTION INC.

For the year ended October 31, 2020

Table of Contents

Basis of Presentation 4
Forward-Looking Statements 4
Business Strategy 6
Company Overview....6
Key Business Strategic objectives 6
Financial Outlook 6
Trends and Seasonality 8
Industry Trends 8
VOTI Trends 8
Cyclicality 8
Financial Highlights 9
For the year ended October 31, 2020 9
For the three-month period ended October 31, 2020....9
Private placements....10
Selected Annual Financial Information 11
Non-IFRS Financial Measures 11
EBITDA, Adjusted EBITDA and Adjusted EBITDA margin 11
Adjusted net loss and Adjusted loss per share 12
Results of Operations....14
Fiscal years ended October 31, 2020 and 2019 14
Three-month periods ended October 31, 2020 and 2019 15
Financial Position 17
Liquidity and Capital Resources....19
Capital Management....19
Cash Flows 19
Other Cash Considerations....19
Selected Quarterly Information....24
Dividend Policy....24
Financial Instruments and Risk Management 24
Financial risk....24
(i) Credit risk 24
(ii) Concentration of credit risk and revenues 25
(iii) Liquidity risk 25
Market risk 26
(i) Currency risk 26

(ii) Interest rate risk *27*
(iii) Fair values *27*
(iv) Other price risk *27*
(v) Investment policy *27*
(vi) Derivatives *28*
Management of capital *28*
Commitments and contingencies 28
Warranty costs *28*
Contingencies *28*
Government assistance 29
Off-Balance Sheet Arrangements 29
Related Party Transactions 30
Remuneration payable to key management personnel *30*
Compensation of directors and key management personnel *30*
Outstanding Share Data 30
Segment Reporting 30
Basis of presentation and going concern assumption 31
Critical Accounting Estimates 32
Research and development tax credits receivable *33*
Share-based payments *33*
Valuation of inventory *33*
Warranties *33*
Development costs *33*
Interest and discount rates on long-term liabilities *33*
Changes in significant accounting policies 34
IFRS 16, Leases *34*
Business Risks 35
A widespread health epidemic, including COVID-19, could adversely affect our business *35*
Disclosure controls and procedures and internal control over financial reporting 36

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

This MD&A was prepared as of February 23, 2021 with information available at this date. All references in this MD&A to Fiscal 2019 are to the fiscal year ended October 31, 2019, all references to Fiscal 2020 are to the fiscal year ended October 31, 2020 and all references to Fiscal 2021 are to the fiscal year ending October 31, 2021. This document should be read in conjunction with the audited annual consolidated financial statements of VOTI Detection Inc. and notes thereto for the years ended October 31, 2020 and 2019. All amounts herein are expressed in Canadian dollars (unless otherwise indicated). All financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards (''IFRS'') as issued by the International Accounting Standards Board ("IASB"). Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted net loss" and "Adjusted loss per share". For a reconciliation of these non-IFRS financial measures to the most comparative IFRS measure, see the "Non-IFRS Financial Measures" section of this MD&A.

Forward-Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of applicable securities laws. Forward-looking statements may relate to VOTI's financial outlook and anticipated events or results and may include information regarding VOTI's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding VOTI's expectations of future results, performance, achievements, prospects or opportunities or the markets in which it operates and the impact thereon of the ongoing COVID-19 pandemic declared by the World Health Organization on March 11, 2020 ("COVID-19"), as well as statements relating to expectations regarding industry trends, growth rates, expectations regarding revenue and the revenue generation potential, business plans and strategies and VOTI's competitive position in its industry constitute forward-looking statements.

In some cases, when used in this MD&A, the words ''may'', ''would'', ''could'', ''will'', ''intend'', ''plan'', ''anticipate'', "does not anticipate", ''believe'', ''seek'', ''propose'', ''estimate'', ''project'', ''expect", "does not expect", "forecasts", "projection", "prospects", "outlook", "targets", or similar expressions, variations of such terms or the negative of such terms are intended to identify forward- looking statements. Such forward-looking statements reflect VOTI's then current views with respect to future events based on certain material facts, assumptions, opinions and estimates in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors VOTI currently believes are appropriate and reasonable in the circumstances and as of the date such forward-looking statements are made. Despite a careful process to prepare and review the forward-looking statements, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. The forward-looking statements are 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 statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that they will prove to be correct.

Forward-looking statements are necessarily based on a number of opinions, estimates and assumptions that VOTI considered appropriate and reasonable as of the date such statements are made, are subject to certain known and unknown risks and uncertainties that may cause the actual results or events to differ materially from anticipated in such forward-looking statements, 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 this MD&A and in other publicly filed documents under VOTI's profile at www.sedar.com as well as other unknown risks.

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 statements contained in this MD&A about prospective results of operations, financial position or cash flows are based on assumptions about future events, including economic conditions and proposed courses of action, based on VOTI's management's assessment of the relevant information currently available. Readers are cautioned that outlook information contained in this MD&A should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be. In addition, the current situation and future developments with respect to COVID-19 could cause certain of the assumptions and information set forth herein or the fact that on which such assumptions are based to differ materially from previous expectations including in respect of demand for our products, supply chain and availability of materials, mobility and shipping of materials and or products, access to debt and equity capital and other factors.*

This MD&A includes certain trademarks, such as "3D Perspective", which are protected under applicable intellectual property laws and are the property of VOTI. Solely for convenience, the trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that VOTI will not assert, to the fullest extent under applicable law, its rights to its trademarks and trade names.

Additional information relating to VOTI can be found on its SEDAR profile at www.sedar.com

Business Strategy

Company Overview

VOTI is a leading-edge Canadian technology company that develops latest-generation X-ray security systems based on 3D Perspective™ technology. VOTI's technology produces remarkably sharp and more revealing X-ray images that are competitively superior while delivering enhanced threat detection capabilities and a vastly improved user experience. Since its inception, VOTI has installed scanners in more than 50 countries and has consulted heavily with government agencies and security specialists worldwide to develop feature-rich and easy-to-use scanners that meet the sophisticated needs of modern security screening operations.

VOTI's software first approach allows for the development of customized solutions, addressing the specific and sometimes unique requirements of its customers. VOTI is customer focused and brings effective detection technologies to markets that are price sensitive.

Key Business Strategic objectives

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

The Company intends to continue to expand its global footprint by growing market share as key verticals and geographies are added; leveraging its specialized sales force and building on its already established network of distributors specializing in the public and private security sectors; adding additional certifications that will open up new market opportunities; expanding through the delivery of software enhanced detection, algorithms and analytics; benefiting from a shift in revenue mix towards a greater percentage of higher margin aftermarket services and software; 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 the growth in global x-ray screening market verticals, based on current market research, and prior to the COVID-19 pandemic, the global conventional x-ray screening market was forecasted to grow at a compounded annual growth rate (CAGR) of 4.9% to reach US$2.67 billion by 2024[1].

The impact of COVID-19 on the markets and industries to which VOTI sells its products, including government buildings and perimeters, transportation, travel and events & entertainment industries (including cruise line, aviation and public venues such as sporting venues) has been significant and is evolving, however, through a series of mitigating strategies, the Company has emerged stronger and better positioned for growth despite the ongoing uncertainties related to the global pandemic. These strategies included the shoring up of the company's cash position through capital injections from shareholders, leveraging available government programs, and the cutting of operating costs. The company ended the 2020 fiscal year with a significantly leaner operating structure and a focus on improved processes and policies.

[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.

Generally, VOTI's growth plan is based on 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; embassies.
- Ports and Borders – land checkpoints; seaports; customs.
- Commercial, Manufacturing and Retail – warehouses; fulfillment and manufacturing facilities; retail locations.

As a result of the initiatives put in place in Fiscal 2020, for Fiscal 2021, VOTI is forecasting a return to its pre-pandemic sales level, margin improvement to pre-COVID-19 pandemic levels, positive adjusted EBITDA and positive cash flow from operations. Several factors will help determine whether the Company is able to achieve these financial milestones in Fiscal 2021. These factors include: additional sales of extended warranties allowing the capture of recurring revenue as a result of an increased fleet of machines; additional drawing down of 2020 inventory build up; acceleration of receivable collections; expected benefits from the introduction of the next generation MATRIX Series line of x-ray scanners; first time sales of VotiINSIGHTS analytics platform; introduction of VotiEMD; and significant cost savings derived from several technological initiatives completed in Fiscal 2020.

The above noted forecasts are based on VOTI's current expectations and assumptions and are subject to the forward-looking disclaimer set forth above in this MD&A, as well as the various risks and uncertainties referenced therein, including, among other things, the impact and uncertainty of the COVID-19 pandemic, the impact of the COVID-19 pandemic on the Company, its stakeholders and the markets is still evolving and to the extent that they continue to be adversely affected, the growth strategy of VOTI would be affected and the disclosure in this MD&A including with respect to any assumptions and future plans or expectations is made in that context. See also "Business Risks" below in this MD&A. Information about VOTI's expectations on forecasts and projections are provided in order to give context to the nature of VOTI's future plans and may not be appropriate for other purposes. There are no assurances that VOTI will be able to successfully implement its strategies and plans as described above, and all statements made are expressly qualified by the cautionary statements relating to "forward-looking statements" included above.

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 Leidos Holdings, 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, 2020

- The Company remained operational through the worldwide COVID-19 pandemic shutdown - being classified an essential service. Through a series of mitigating strategies, the Company has emerged stronger and better positioned for growth despite the ongoing uncertainties related to the global pandemic. These strategies included the shoring up of the Company's cash position through capital injections from shareholders, leveraging available government programs, and the cutting of operating costs. The Company ended Fiscal 2020 with a significantly leaner operating structure and a focus on improved processes and policies.
- The Company finalized several key development initiatives in Fiscal 2020, including:
    - MATRIX series line of X-ray scanners – the Company begins commercializing its next generation of X-ray scanners, a series that represents the convergence between technological improvements, cost savings and a push towards a SaaS model for high margin, repeat business.
    - VotiINSIGHTS - the Company begins selling its analytics dashboard platform in Q1 2021.
    - Cost reduction initiatives
- The Company raised $3,940,000 by issuing convertible debenture units to arms-length investors through non-brokered private placements.
- Revenue for the year ended October 31, 2020 totaled $19,013,905 compared to $28,427,023 in Fiscal 2019, a decrease of $9,413,118 or 33%. The decrease is primarily related to sales pipeline disruption caused by the COVID-19 pandemic, as well as the change in the product mix being sold. The Company sold 526 security scanning units compared to 704 during the same period in Fiscal 2019.
- Gross profit decreased to $5,696,891, or 30% of revenue, compared to $10,197,026 or 36% in Fiscal 2019. The decrease in gross margin compared to the same period in Fiscal 2019 is primarily related to the product and geography mix sold.
- Net loss increased to $6,735,410 compared to $4,294,647 for the same period of Fiscal 2019. The increase in net loss of $2,440,763 compared to the same period of Fiscal 2019 is primarily related to the decrease in gross profit, increase in financial expense, trade receivable write-off and impairment of capitalized development costs in 2020, partially offset by a decrease in the Company's operating expenses, the absence of the reverse acquisition of Steamsand expenses in 2020, a decrease in the fair value of the Company's non-cash warrants and embedded derivatives liabilities, a decrease in share-based payments expense and funding received from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program.
- Adjusted EBITDA for year ended October 31, 2020 decreased to ($2,942,275), compared to ($721,315) for the same period in Fiscal 2019. The decrease of $2,220,960 is primarily related to the decrease in revenue and related gross profit, partially offset by reduced operational costs and funding received from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program.

For the three-month period ended October 31, 2020

- Revenue for the three-month period ended October 31, 2020 totaled $4,852,379 compared to $5,310,129 for the same period in Fiscal 2019, a decrease of $457,750 or 9%. The decrease is primarily related to the sales pipeline disruption caused by the COVID-19 pandemic.
- Gross profit decreased to $1,197,758 or 25% of revenue, compared to $1,789,994 or 34% for the same period in Fiscal 2019. The gross margin decrease is primarily related to the sale of 42 repossessed scanners that carried a cost at their net realizable value and therefore yielded a nil margin, and consequently contributed to a decrease of 5% on the quarter's overall margin, as well as the product and geography mix.
- Net loss increased to $2,216,449 compared to a net loss of $1,314,494 for the same period of Fiscal 2019. The increase in net loss of $901,955 is primarily related to the decrease in gross profit, an increase in non-cash warrants and embedded derivatives liabilities, impairment of capitalized development costs and increases in trade receivable write-off and bad debts in 2020, partially offset by funding received from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program and a reduction in operating costs.

- Adjusted EBITDA increased to ($511,848) compared to ($612,150) for the same period of Fiscal 2019. The increase of $100,302 is primarily related to the reduced operational costs and funding received from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program, partially offset by the decrease in gross profit.

Private placements

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

On March 26, 2020, the Company’s board of directors (the “Board” or “Board of Directors”) authorized a non-brokered private placement to issue convertible debenture units of the Company.

Each convertible debenture unit of the Company is comprised of:

(1) one senior unsecured convertible debenture in the principal amount of $1,000 having a 2-year term and bearing interest at an annual rate of 10%, entitling their holders to convert all, or any part of the outstanding principal amount into the Company’s common shares at a conversion price of $0.80 per share; and

(2) 600 warrants entitling their holders to purchase one common share of the Company per warrant at an exercise price of $0.85 per share for a period of 24 months after the closing date.

The interest rate of 10% is payable semi-annually in arrears on June 30 and December 31 of each year commencing June 30, 2020, and the Company may, at its sole option, settle all or part of the interest in cash or in common shares of the Company. The Company currently intends on settling the interest payable by issuing its common shares. Additionally, the Company may, at its sole option, oblige the conversion of all or any part of the outstanding convertible debenture principal into its common shares, if at any time before the maturity date, the daily volume-weighted average trading price of the Company’s common shares for any 20 consecutive trading days is equal to or greater than $1.45.

Additionally, the Company is entitled to accelerate the time of expiry of the warrants, thus obliging the conversion of all or any part of the outstanding warrants, if at any time before the maturity date the daily volume-weighted average trading price of the common shares is equal to or greater than $1.65 for 20 consecutive trading days.

Throughout April and June 2020, the Company issued 3,940 convertible debenture units for total gross proceeds of $3,940,000.

Selected Annual Financial Information

The selected financial information below was derived from the Company's October 31, 2020, 2019 and 2018 audited consolidated financial statements, prepared in accordance with IFRS.

	October 31, 2020	October 31, 2019	October 31, 2018
Financial position			
Cash	2,088,825	1,941,507	643,067
Total assets	21,513,908	23,152,381	22,932,639
Total debt[2]	6,626,163	3,233,000	7,005,734
Shareholders' equity (deficit)	6,167,962	11,479,625	(474,117)
Loss and comprehensive loss			
Revenue	19,013,905	28,427,023	23,006,852
Net loss	(6,735,410)	(4,294,647)	(3,687,524)
Comprehensive loss	(6,903,222)	(4,415,612)	(3,639,816)
Basic and diluted loss per share	(0.25)	(0.18)	(0.24)
Cash flows provided by (used in)			
Operating activities	(1,515,004)	(5,253,628)	(4,469,918)
Investing activities	(2,238,659)	(3,775,258)	(713,014)
Financing activities	3,967,474	1,140,812	14,506,790

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 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.

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

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

	Three-months ended October 31,		**Year ended October 31,**	
	2020	**2019**	**2020**	**2019**
Revenue	4,852,379	5,310,129	19,013,905	28,427,023
Net loss	(2,216,449)	(1,314,494)	(6,735,410)	(4,294,647)
Financial expenses[3]	500,848	434,979	2,174,802	955,297
Depreciation and amortization	400,167	168,923	953,879	318,063
EBITDA	(1,315,434)	(710,592)	(3,606,729)	(3,021,287)
Change in fair value of warrants	46,236	(547,683)	(987,823)	(1,315,231)
Change in fair value of embedded derivatives	78,800	-	(896,990)	-
Share based payments	(41,988)	646,125	1,250,798	2,517,587
Reverse acquisition	-	-	-	964,038
Unusual and non-recurring items				
Trade receivables write-off[4]	116,043	-	663,974	-
Severance[5]	150,000	-	180,000	65,420
Non-recurring professional fees	-	-	-	68,158
Impairment of development costs[6]	454,495	-	454,495	-
Adjusted EBITDA	(511,848)	(612,150)	(2,942,275)	(721,315)
Adjusted EBITDA margin (%)	(11%)	(12%)	(15%)	(3%)

Adjusted net loss and Adjusted loss per share

Adjusted net loss is defined as net 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 loss per share is defined as adjusted net loss divided by the basic weighted average number of common shares outstanding.

Adjusted net loss and Adjusted loss per share are non-IFRS financial measures. Management believes that Adjusted net loss and Adjusted loss per share are useful measures of performance that can facilitate period-to-period comparisons as they exclude items that do not necessarily arise as part of the Company's normal day-to-day operations and could distort the analysis of trends in business performance.

[3] Financial expenses consist of interest and bank charges, foreign exchange gains and losses, significant financing component interest on extended warranties, interest on lease liabilities, interest accretion and transaction costs on convertible debt and other financial charges.

[4] Trade receivables write-off includes non-cash write-down of receivables. The write-off is adjusted from EBITDA since it is outside the normal course of the Company's day-to-day operations, non-recurring, and relates to the repossession of scanners from customers that default on payment. The write-off is recorded in general and administrative expense as a bad debt and is calculated as the difference between the balance of receivable and the inventories' net realizable value. Since March 2020, almost all sales on credit are insured at 90% or secured through a bank letter of credit, whereas any future write-off of this size is remote, and therefore the trade receivable write-off is considered non-recurring.

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

[6] Impairment of development costs is a non-cash charge related to the write-down of development projects that were abandoned since Management no longer estimates future economic benefits will be derived.

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

	Three-months ended October 31,		Year ended October 31,	
	2020	**2019**	**2020**	**2019**
Net (loss) income	(2,216,449)	(1,314,494)	(6,735,410)	(4,294,647)
Change in fair value of warrants	46,236	(547,683)	(987,823)	(1,315,231)
Change in fair value of embedded derivatives	78,800	-	(896,990)	-
Share based payments	(41,988)	646,125	1,250,798	2,517,587
Reverse acquisition	-	-	-	964,038
Unusual and non-recurring items				
Trade receivables write-off	116,043	-	663,974	-
Severance	150,000	-	180,000	65,420
Non-recurring professional fees	-	-	-	68,158
Impairment of development costs	454,495	-	454,495	-
Adjusted net income (loss)	(1,412,863)	(1,216,052)	(6,070,956)	(1,994,675)

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

	Three-months ended October 31,		Year ended October 31,	
	2020	**2019**	**2020**	**2019**
Basic and diluted (loss) earnings per share	(0.08)	(0.05)	(0.25)	(0.18)
Impact of adjustments to net (loss) income	0.03	0.00	0.02	0.09
Adjusted (loss) earnings per share	(0.05)	(0.05)	(0.23)	(0.09)

Results of Operations

Fiscal years ended October 31, 2020 and 2019

The following table sets forth the major components of the Company's consolidated statements of loss and comprehensive loss for the Fiscal years ended October 31, 2020 compared to the corresponding period of 2019:

Fiscal years ended October 31,	2020	2019	Variance	Variance (%)
Revenue	19,013,905	28,427,023	(9,413,118)	(33%)
Cost of goods sold	13,317,014	18,229,997	(4,912,983)	(27%)
Gross profit	5,696,891	10,197,026	(4,500,135)	N/A
Gross margin	30%	36%	(6%)	(6%)
General and administrative expenses	4,741,662	4,810,621	(68,959)	(1%)
Selling and Distribution expenses	4,970,543	5,912,998	(942,455)	(16%)
Research and development expenses	1,179,309	646,363	532,946	82%
Net financial expenses	2,174,802	955,297	1,219,505	128%
Change in fair value of warrants	(987,823)	(1,315,231)	327,408	(25%)
Change in fair value of embedded derivatives	(896,990)	-	(896,990)	N/A
Share-based payments	1,250,798	2,517,587	(1,266,789)	(50%)
Reverse acquisition	-	964,038	(964,038)	N/A
Net loss	(6,735,410)	(4,294,647)	(2,440,763)	(57%)
Basic and diluted loss per share	(0.25)	(0.18)	(0.07)	N/A
Adjusted net loss	(6,070,956)	(1,994,675)	(4,076,281)	(204%)
Basic & diluted Adjusted loss per share	(0.23)	(0.09)	(0.14)	N/A

Revenue for the year ended October 31, 2020 totaled $19,013,905 compared to $28,427,023 in Fiscal 2019, a decrease of $9,413,118 or 33%. The decrease is primarily related to sales pipeline disruption caused by the COVID-19 pandemic, as well as the change in product mix being sold. The Company sold 526 security scanning units compared to 704 during the same period in Fiscal 2019.

Gross profit decreased to $5,696,891, or 30% of revenue, compared to $10,197,026 or 36% in Fiscal 2019. The decrease in gross margin compared to the same period in Fiscal 2019 is primarily related to the product and geography mix sold.

General and administrative expenses decreased to $4,741,662 compared to $4,810,621 in Fiscal 2019. The decrease of $68,959 is primarily due to cost reduction measures implemented by the Company in 2020, including reduced executive compensation, personnel, professional fees, and travel costs, as well as funding from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program and the additional professional fees incurred in connection with the Company's reverse takeover transaction during the three-month period ended January 31, 2019, partially offset by increased bad debt expense primarily from the trade receivable write-off of $663,974.

Selling and distribution expenses decreased to $4,970,543 compared to $5,912,998 in Fiscal 2019. The decrease of $942,455 is primarily due to reduction in commissions, travel expenses, tradeshows attended and support services, all as a direct result of the global impact of COVID-19.

Research and development expenses increased to $1,179,309 compared to $646,363 in Fiscal 2019. The increase of $532,946 is primarily due to an impairment of capitalized development costs of $454,495 and an increase in amortization, partially offset by reduced spending on non-critical research projects.

Net financial expenses increased to $2,174,802 compared to net expenses of $955,297 in Fiscal 2019. The increase of $1,219,505 is primarily due to the interest accretion on the convertible debt issued in 2020, interest expense related to increased borrowed funds during 2020, the non-cash financing component interest on lease liabilities, the non-cash warrants expense as part of a debt agreement amendment, and an increase in significant financing component interest on extended warranties, partially offset by an increase in foreign exchange gain.

Change in fair value of warrants decreased to a $987,823 gain compared to a gain of $1,315,231 for the same period in Fiscal 2019. The decrease of $327,408 is primarily due to the impact that the change in the Company's share price has on the non-cash fair value measurement of the Company's warrants at October 31, 2020, offset by an increase in the number of warrants issued in 2020.

Change in fair value of embedded derivatives increased to a $896,990 gain compared to nil for the same period in Fiscal 2019. This is a new financial instrument which represents the conversion option embedded in the newly issued convertible debentures which did not exist during the same period in Fiscal 2019.

Share-based payments decreased to $1,250,798 compared to $2,517,587 for the same period in Fiscal 2019. The decrease is primarily due to an increased number of forfeited stock options and a reduced number of unvested stock options and deferred share units ("DSUs"), partially offset by an increase in RSUs granted in 2020.

Net loss increased to $6,735,410 compared to $4,294,647 for the same period of Fiscal 2019. The increase in net loss of $2,440,763 compared to the same period of Fiscal 2019 is primarily related to the decrease in gross profit, increase in financial expense, trade receivable write-off and impairment of capitalized development costs in 2020, partially offset by a decrease in the Company's operating expenses, the absence of the reverse acquisition of Steamsand expenses in 2020, a decrease in the fair value of the Company's non-cash warrants and embedded derivatives liabilities, a decrease in share-based payments expense and funding received from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program.

Three-month periods ended October 31, 2020 and 2019

The following table sets forth the major components of the Company's consolidated statements of loss and comprehensive loss for the three-month period ended October 31, 2020 compared to the corresponding period of 2019:

Three-month period ended October 31,	2020	2019	Variance	Variance (%)
Revenue	4,852,379	5,310,129	(457,750)	(9%)
Cost of goods sold	3,654,621	3,520,135	134,486	4%
Gross profit	1,197,758	1,789,994	(592,236)	N/A
Gross margin	25%	34%	(9%)	(9%)
General and administrative expenses	1,215,528	1,028,758	186,770	18%
Selling and Distribution expenses	890,254	1,464,301	(574,047)	(39%)
Research and development expenses	724,529	78,008	646,521	829%
Net financial expenses	500,848	434,979	65,869	15%
Change in fair value of warrants	46,236	(547,683)	593,919	108%
Change in fair value of embedded derivatives	78,800	-	78,800	N/A
Share-based payments	(41,988)	646,125	(688,113)	(106%)
Net loss	(2,216,449)	(1,314,494)	(901,955)	(69%)
Basic and diluted earnings (loss) per share	(0.08)	(0.05)	(0.03)	N/A
Adjusted net (loss) income	(1,412,863)	(1,216,052)	(196,811)	(16%)
Basic & diluted Adj. (loss) earnings per share	(0.05)	(0.05)	0.00	N/A

Revenue for the three-month period ended October 31, 2020 totaled $4,852,379 compared to $5,310,129 for the same period in Fiscal 2019, a decrease of $457,750 or 9%. The decrease is primarily related to the sales pipeline disruption caused by the COVID-19 pandemic.

Gross profit decreased to $1,197,758 or 25% of revenue, compared to $1,789,994 or 34% for the same period in Fiscal 2019. The gross margin decrease is primarily related to the sale of 42 repossessed scanners that carried a cost at their net realizable value and therefore yielded a nil margin, and consequently contributed to a decrease of 5% on the quarter's overall margin, as well as the product and geography mix.

General and administrative expenses increased to $1,215,528 compared to $1,028,758 for the same period in Fiscal 2019. The increase of $186,770 is primarily due to increases in the trade receivable write-off and bad debts, partially offset by reduced executive compensation, personnel, travel costs and funding from the Canadian Federal government COVID-19 stimulus programs.

Selling and distribution expenses decreased to $890,254 compared to $1,464,301 for the same period in Fiscal 2019. The decrease of $574,047 is primarily due to reduction in commissions, travel expenses, tradeshows attended and support service, all as a direct result of the global impact of COVID-19, partially offset by an increase in severance expense.

Research and development expenses increased to $724,529 compared to $78,008 for the same period in Fiscal 2019. The increase of $646,521 is primarily due to the impairment of capitalized development costs of $454,495 and increase in amortization, partially offset by reduced spending on non-critical research projects.

Net financial expenses increased to $500,848 compared to $434,979 for the same period in Fiscal 2019. The increase of $65,869 is primarily due to an increase in interest accretion expense and the non-cash warrants expense as part of a debt agreement amendment, partially offset by an increase in foreign exchange gains.

Change in fair value of warrants increased to a $46,236 loss compared to a gain of $547,683 for the same period in Fiscal 2019. The increase of $593,919 is primarily due to the increase in Management's estimate for the life expectancy of the warrants, partially offset by the impact that the decrease in the Company's share price had on the non-cash fair value liability at October 31, 2020.

Change in fair value of embedded derivatives decreased to a $78,800 loss compared to nil for the same period in Fiscal 2019. This is a new financial instrument which represents the conversion option embedded in the newly issued convertible debentures which did not exist during the same period in Fiscal 2019.

Share-based payments expenses decreased to a gain of $41,988 compared to an expense of $646,125 for the same period in Fiscal 2019. The decrease of $688,113 is primarily due an increased number of forfeited stock options and a reduced number of unvested stock options and DSUs.

Net loss increased to $2,216,449 compared to a net loss of $1,314,494 for the same period of Fiscal 2019. The increase in net loss of $901,955 is primarily related to the decrease in gross profit, an increase in non-cash warrants and embedded derivatives liabilities, impairment of capitalized development costs and increases in trade receivable write-off and bad debts in 2020, partially offset by funding received from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program and a reduction in operating costs.

Financial Position

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

As at	October 31, 2020	October 31, 2019	Variance
Total Assets	**21,513,908**	**23,152,381**	**(1,638,473)**
Variance mainly due to:			
Cash	2,088,825	1,941,507	147,318
Trade and other receivables	1,928,906	7,713,621	(5,784,715)
Inventories	9,579,181	7,941,110	1,638,071
Intangible assets	4,653,265	3,396,868	1,256,397
Right of use assets	1,013,599	-	1,013,599
Total Liabilities	**15,345,946**	**11,672,756**	**3,673,190**
Variance mainly due to:			
Bank Indebtedness	-	330,000	(330,000)
Trade payables and accrued liabilities	3,664,385	5,284,374	(1,619,989)
Lease liabilities	1,064,033	-	1,064,033
Deferred revenue	2,874,537	2,500,565	373,972
Long-term debt	3,935,783	2,650,000	1,285,783
Convertible debt	2,269,160	-	2,269,160
Embedded derivatives	531,900	-	531,900
Total Shareholders' Equity (Deficit)	**6,167,962**	**11,479,625**	**(5,311,663)**
Variance mainly due to:			
Share capital	38,776,368	38,331,761	444,607
Stock option reserve	3,581,662	2,434,710	1,146,952
Deficit	(35,641,678)	(28,906,268)	(6,735,410)

Cash increased to $2,088,825 at October 31, 2020 compared to $1,941,507 at October 31, 2019. The increase of $147,318 is primarily attributed to the net increase in cash from financing activities, partially offset by a decrease in cash from operating and investing activities.

Trade and other receivables decreased to $1,928,906 at October 31, 2020 compared to $7,713,621 at October 31, 2019. The decrease of $5,784,715 is primarily due to the decrease in sales on credit made near the end of October 2020 as compared to October 31, 2019, the collection of Q3 2019 aged receivables in 2020, a trade receivable write-off of $663,974 and a reclassification of $1,806,245 of trade receivables to inventories resulting from the repossession of 76 scanners sold in in the prior year in satisfaction of amounts owed, and decreased sales tax receivable, partially offset by an increase in CEWS receivable.

Inventories increased to $9,579,181 at October 31, 2020 compared to $7,941,110 at October 31, 2019. The increase of $1,638,071 is primarily due to a $1,806,245 extinguishment of trade receivable and the addition to inventory of finished goods at their net realizable value from repossessing 76 scanners sold during the prior year in satisfaction of amounts owed.

Intangible assets increased to $4,653,265 at October 31,2020, compared to $3,396,868 at October 31, 2019. The increase of $1,256,397 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, partially offset by increased amortization costs and a $454,495 impairment related to the abandonment of certain development projects.

Right of use assets increased to $1,013,599 at October 31,2020, compared to nil at October 31, 2019. The increase is consequential to the adoption of the new accounting standard, IFRS 16, *Leases*, which provides for capitalization of an operating lease to an asset, representing the Company's right to use that underlying asset. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Bank Indebtedness decreased to nil at October 31, 2020, compared to $330,000 at October 31, 2019. The decrease of $330,000 is mainly due to the mix of cash and bank indebtedness. See the explanation for the decrease in cash above.

Trade payables and accrued liabilities decreased to $3,664,385 at October 31, 2020, compared to $5,284,374 at October 31, 2019. The decrease of $1,619,989 is primarily due to purchasing less inventory during the quarter, resulting from purchasing additional components during the first half of 2020 initially intended to fulfil certain customer orders in the second quarter 2020 that did not materialize but will be used for fulfilling orders in subsequent periods.

Lease liability increased to $1,064,033 at October 31, 2020, compared to nil at October 31, 2019. The increase is consequential to the adoption of the new accounting standard, IFRS 16, *Leases*, and represents the present value of the Company's obligation to make lease payments.

Deferred revenue increased to $2,874,537 at October 31, 2020, compared to $2,500,565 at October 31, 2019. The increase is due to selling increased prepaid extended warranties during the year ended October 31, 2020, partially offset by the revenue recognized during the period.

Long-term debt increased to $3,935,783 at October 31, 2020, compared to $2,650,000 at October 31, 2019. The increase of $1,285,783 is primarily due to an additional amount of $1,000,000 borrowed from Espresso Capital Ltd. during the first quarter of Fiscal 2020, a $190,000 interest free loan from Investissement Quebec ("IQ") and a $400,000 loan received from the Economic Development Agency of Canada for the Regions of Quebec ("EDAC").

Convertible debt increased to $2,269,190 at October 31, 2020, compared to nil at October 31, 2019. The increase is due to the issuance of the $3,940,000 convertible debenture units and the allocation of the proceeds received in accordance with IFRS 9, *Financial Instruments* as described in note 17 to the consolidated financial statements of the Company for the year ended October 31, 2020.

Embedded derivatives liabilities increased to $531,900 at October 31, 2020, compared to nil at October 31, 2019. The increase is consequential to the issuance of the $3,940,000 convertible debenture units and the allocation of the proceeds received in accordance with IFRS 9, *Financial Instruments* as described in note 18 to the consolidated financial statements of the Company for the year ended October 31, 2020.

Share capital increased to $38,776,368 at October 31, 2020, compared to $38,331,761 at October 31, 2019. The increase of $444,607 is due to the issuance of 171,429 common shares during the first quarter of Fiscal 2020 through a private placement at $1.75 per share for total gross proceeds of $300,000, the issuance of 130,606 common shares as settlement of $78,361 interest related to the semi-annual 10% convertible debentures coupon, the issuance of 50,000 common shares at $0.50 per share as settlement of professional services rendered, and the issuance of 23,411 common shares to a director of the Company in exchange of DSUs that were granted as part of the Company's DSU plan.

Stock option reserve increased to $3,581,662 at October 31, 2020, compared to $2,434,710 at October 31, 2019. The increase of $1,146,952 is due to the share-based payments expense recorded during the year ended October 31, 2020, partially offset by exchanging 23,411 DSUs for common shares.

Deficit increased to $35,641,678 at October 31, 2020, compared to $28,906,268 at October 31, 2019. The increase of $6,735,410 is due to the net loss incurred in the year ended October 31, 2020.

Liquidity and Capital Resources

Capital Management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its organic growth, to establish a strong capital base 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. Refer to Basis of presentation and going concern assumption section for additional information.

Cash Flows

A summary of net cash flows by activity for the years ended October 31, 2020 and October 31, 2019 is presented below:

Fiscal year ended October 31,	2020	2019	Variance
Net cash used in operating activities	(1,515,004)	(5,253,628)	3,738,624
Net cash used in investing activities	(2,238,659)	(3,775,258)	1,536,599
Net cash from financing activities	3,967,474	1,140,812	2,826,662
Net change in cash	213,811	(7,888,074)	8,101,885
Net effect of foreign exchange rate changes on cash	(66,493)	(56,459)	(10,034)
Cash and restricted cash, beginning of period	1,941,507	9,886,040	(7,944,533)
Cash, end of period	**2,088,825**	**1,941,507**	**147,318**

Net cash used in operating activities during the year ended October 31, 2020 decreased by $3,738,624 when compared to Fiscal 2019. The decrease in net cash used in operations primarily resulted from the positive impact from the change in the Company's non-cash working capital, partially offset by the decrease in cash-based operating results for the year.

Net cash used in investing activities during the year ended October 31, 2020 decreased by $1,536,599 when compared to Fiscal 2019 primarily resulting from a reduction in development activities and funding from the from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program.

Net cash from financing activities during the year ended October 31, 2020 increased by $2,826,662 compared to the Fiscal 2019. The increase primarily resulted from the issuance of convertible debenture units, the change in borrowings during the year ended October 31, 2020, and the payment of the share issuance costs following the completion of the going public transaction in Fiscal 2019, partially offset by the decrease in consideration received from the issuance of common shares and Steamsand, and increased interest and bank charges in Fiscal 2020.

Other Cash Considerations

Bank indebtedness & letters of guarantee

At October 31, 2020, the Company has an available revolving demand facility, as was re-negotiated with the financial institution, of $1,000,000 ("Facility 1") 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 revolving demand facility decreased to $500,000 on December 31, 2020 in accordance with the agreement.

The Company also has a revolving demand facility of $2,055,000 ("Facility 2") by way of letters of guarantee denominated in Canadian or U.S. currency which is repayable on demand.

All borrowings under Facility 1 and Facility 2 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 excluding tax credits to be received;

b) A deed of moveable hypothec representing all present and future obligations in the amount of $33,684, constituting a first ranking hypothec on term deposits and/or guaranteed investment certificates in the amount of $33,684;

c) A deed of moveable hypothec representing all present and future obligations in the amount of $34,153, constituting a first ranking hypothec on term deposits and/or guaranteed investment certificates in the amount of $34,153;

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

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

Borrowings made under Facility 1 are also secured by a guarantee from Export Development Canada of up to 65% of the aggregate outstanding borrowing amount under this facility. The guarantee bears interest at 4.4% of the amount guaranteed.

Borrowings made under Facility 2 are also secured by a performance security guarantee from Export Development Canada guaranteeing 100% of each issued letter of guarantee. This guarantee also bears interest at 4.4% of the amount guaranteed.

As at October 31, 2020, no amount (2019 - $330,000) was drawn under Facility 1 and there were letters of guarantee under Facility 2, denominated in U.S. dollars, totaling $467,000 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 ratio of 3:1 to be measured on a quarterly basis. As at October 31, 2020, the Company was in compliance with the covenants.

Term debt

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

The term loan bears interest at 2.55% above the bank prime rate and is secured by a senior-ranking hypothec on the Company's research and development tax credits receivable and other assets totaling $404,000, with the addition of an irrevocable letter of credit in the amount of $33,684, representing 10% of the credit facility amount.

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

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

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

c) the date a refund is received; or

d) April 30, 2021.

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

During June 2020, the Company entered into another credit facility agreement with IQ for a term loan of up to $341,530, to be used specifically to finance the refundable tax credits for experimental scientific research and development for the Company's 2020 fiscal year.

The term loan bears interest at 2.55% above the bank prime rate and is secured by a senior-ranking hypothec on the Company's research and development tax credits receivable and other assets totaling $410,000, with the addition of an irrevocable letter of credit in the amount of $34,153, 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, 2022.

As at October 31, 2020 the Company has borrowed an amount of $168,220 under this facility.

Long-term debt

(i) Espresso Capital Ltd.

On January 8, 2019, and as amended thereafter, 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, 2020, the Company's authorized credit limit is $3,561,000 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, 2020 was $3,650,000, of which an amount of $1,000,000 was originally payable on April 30, 2020. On June 8, 2020 the agreement was amended, whereby the repayment of the $1,000,000 would be made in 12 equal monthly instalments commencing December 31, 2020. The amendment also provides, that in addition to interest payments, the Company would issue warrants to Espresso Capital Ltd. convertible into $200,000 worth of the Company's common shares at the higher of $0.70 per share and the minimum price allowable by the TSX-V. The warrants would expire on June 7, 2027 and would be converted into common shares on a cashless exercise basis. On February 22, 2021, the agreement was amended to postpone the commencement date of the 12 monthly installments, required to settle the $1,000,000, from December 31, 2020 to March 31, 2021, and to cancel the issuance of the warrants.

The Company must respect certain covenants and financial ratios associated with the facility, including maintaining a monthly net working capital ratio of no less than $8,000,000. As at October 31, 2020, the Company was in compliance with its covenants.

(ii) Investissement Quebec

On March 17, 2020 the Company entered into a $190,000 non-interest bearing loan agreement with IQ to be used specifically to finance the expansion, improvement and modernization of the Company's engineering lab and operation facilities.

The loan is secured by a senior-ranking hypothec on the Company's movable assets totaling $200,000, with the addition of a subordinated hypothec totaling 20% of the Company's entire movable assets.

The loan principal is payable in 48 equal monthly instalments commencing March 31, 2021.

Commencing October 31, 2021, the Company must respect a specific financial ratio of EBITDA, as defined in the agreement, divided by interest expenses and short-term debt of no less than 1.2:1.

The loan was initially measured at the present value of all future loan payments, discounted using comparable interest market rate for a similar loan. The loan is subsequently measured at amortized cost using the effective interest method. The difference between the discounted value of the loan at inception and the carrying amount of the loan was recorded as a reduction of the Company's tangible assets balance.

Accordingly, on March 17, 2020 the Company recorded a liability of $154,157. The interest is accreted over the life of the loan through a charge in the statement of loss and comprehensive loss using the effective interest method.

(iii) Economic Development Agency of Canada for the Regions of Quebec

On August 5, 2020 the Company entered into a $500,000 loan agreement with the Economic Development Agency of Canada for the Regions of Quebec ("EDAC") under the Regional Relief and Recovery Fund and borrowed $400,000. Under the agreement, the funds received are meant specifically to finance the Company's operations by providing liquidity and ensuring business continuity. The loan bears interest at the bank's prime rate, as prescribed by the Interest and *Administrative Charges Regulations (SOR/96-188)* and is payable in 60 equal monthly instalments commencing January 1, 2023.

The loan was initially measured at the present value of all future loan payments, discounted using comparable interest market rate for a similar loan of 26.63%, and is subsequently measured at amortized cost using the effective interest method. The difference between the discounted value of the loan at inception and the carrying amount of the loan was recorded as a reduction of the Company's related expenses.

Accordingly, on August 5, 2020 the Company recorded a liability of $116,364. The interest is accreted over the life of the loan through a charge in the statement of loss and comprehensive loss.

As at October 31, 2020, the principal balance of the loan was $400,000. On January 18, 2021 the Company received from EDAC an additional amount of $100,000, thereby increasing the loan amount to $500,000.

Convertible debentures

The Company issued $3,940,000 in convertible debenture units in fiscal 2020, where each unit is comprised of:

a) one senior unsecured convertible debenture in the principal amount of $1,000 having a 2-year term and bearing interest at an annual rate of 10%, entitling their holders to convert all, or any part of the outstanding principal amount into the Company's common shares at a conversion price of $0.80 per share; and

b) 600 warrants entitling their holders to purchase one common share of the Company per warrant at an exercise price of $0.85 per share for a period of 24 months after the closing date.

The interest rate of 10% is payable semi-annually in arrears on June 30 and December 31 of each year commencing June 30, 2020, and the Company may, at its sole option, settle all or part of the interest in cash or in common shares. The Company currently intends on settling the interest payable by issuing common shares.

Additionally, the Company may, at its sole option, oblige the conversion of all or any part of the outstanding convertible debenture principal into common shares, if at any time before the maturity date, the daily volume-weighted average trading price of the Company's common shares for any 20 consecutive trading days is equal to or greater than $1.45.

According to the terms of the convertible debentures, payment of indebtedness thereunder is fully postponed and subordinated to secured creditors of the Company, and the Company's aggregate secured indebtedness cannot exceed $10,000,000 without obtaining the prior written approval of the debenture holders, representing no less than 66% of the principal amount of all outstanding debentures. As at October 31, 2020, no such approval was required.

The carrying amount of the convertible debenture is as follows:

	2020
	$
Initially recognized fair value of non-derivative debt	1,747,425
Interest accretion expense	600,096
Interest settled by shares issuance	(78,361)
Balance as at October 31, 2020	2,269,160

The weighted average effective interest rate of the convertible debt calculated at initial recognition is 31.21%, which represents the rate that discounts the estimated future cash flows throughout its term.

Interest paid during the year ended October 31, 2020 relating to the semi-annual 10% coupon was settled by issuing 130,606 Common Shares from treasury. On January 12, 2021 the Company issued an additional 562,862 Common Shares from treasury as settlement of the semi-annual 10% coupon for the six-month period ended December 31, 2020, representing an amount of $197,000.

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:

Fiscal year	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	1,829,169	1,907,008
2040	7,041,887	7,041,887
	25,918,290	**26,041,040**

In addition, the Company has available unused research and development expenditures for income taxes purposes of $3,783,612 (2019 - $2,877,687). These expenses are available to reduce taxable income of future years.

As at October 31, 2020, a deferred income tax asset has not been recognized on losses, research and development expenditures and deductible temporary differences of $33,439,778 as the Company has assessed that it 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 loss	Basic and diluted loss per share	Adjusted net income (loss)	Adjusted loss per share
October 31, 2020	4,852,379	(2,216,449)	(0.08)	(1,412,863)	(0.07)
July 31, 2020	3,855,653	(1,944,838)	(0.07)	(1,871,457)	(0.07)
April 30, 2020	4,263,857	(349,520)	(0.01)	(1,284,612)	(0.04)
January 31, 2020	6,042,016	(2,224,603)	(0.08)	(1,502,024)	(0.06)
October 31, 2019	5,310,129	(1,314,494)	(0.05)	(1,216,052)	(0.05)
July 31, 2019	7,818,328	(1,216,282)	(0.05)	(103,056)	0.00
April 30, 2019	8,501,138	(120,168)	(0.01)	39,567	0.00
January 31, 2019	6,797,428	(1,643,703)	(0.07)	(715,134)	(0.03)

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.

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

Financial risk

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 the various risks.

(i) 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 although generally does not require collateral, it obtains credit insurance for the majority transactions it extends credit to. 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 60 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:

	2020	2019
	$	$
0-30 days	1,276,040	3,776,347
31-60 days	80,593	351,694
61-90 days	25,272	2,623,309
Over 90 days	109,759	432,068
	1,491,664	**7,183,418**

(ii) Concentration of credit risk and revenues

Two customers (three in 2019) represented approximately 30% of the trade accounts receivable balance as at October 31, 2020 (72% in 2019).

	2020	2019
	%	%
Customer A	16	-
Customer B	14	-
Customer C	-	48
Customer D	-	13
Customer E	-	11

In addition, the Company generated 26% (2019 - 47%) of its revenue from two customers (2019 - three) in the approximate amount of $4.9 million (2019 - $14 million) and broken down as follows:

	2020	2019
	%	%
Customer A	15	-
Customer B	11	-
Customer C	-	22
Customer D	-	14
Customer E	-	11

(iii) 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 Company may need to raise additional capital through debt or equity financings and source additional liquidity to meet its operational objectives over the next 12 months (see note 2 to the consolidated financial statements regarding basis of preparation and going concern assumption).

The following are amounts due on contractual maturities of financial liabilities, as well as commitments with respect to operating leases, as at October 31, 2020:

	Carrying amount	Contractual Cash flows	Less than 1 year	1 to 3 years
	$	$	$	$
Bank indebtedness	-	-	-	-
Trade payables and accrued liabilities	3,514,439	3,514,439	3,514,439	-
Term debt	421,220	421,220	421,220	-
Convertible debt	2,269,160	3,940,000	-	3,940,000
Long-term debt	3,935,783	4,240,000	948,334	3,291,666
	10,140,602	**12,115,659**	**4,883,993**	**7,231,666**

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.

(i) Currency risk

The Company is exposed to currency risks due to certain sales and purchases denominated in foreign currencies. The risk, however, is mitigated since 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, convertible debt and warrants and embedded derivatives liabilities are denominated in Canadian dollars and are subject to foreign currency risk.

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:

	2020
	$
Cash	78,605
Short-term investments	82,837
Trade and other receivables	606,015
Research and development tax credits receivable	617,358
Trade payables and accrued liabilities	(2,960,052)
Term debt	(421,220)
Convertible debt	(2,269,160)
Long-term debt	(3,935,783)
Embedded derivatives liability	(531,900)
Warrants liability	(282,800)
Lease liability	(1,064,033)
	(10,080,133)

In 2020, a variation of 10% of the Canadian dollar against the U.S. dollar would have an impact of approximately $1,008,013 (2019 - $574,700) on net loss.

(ii) 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 debts, long-term debts and convertible 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 2020, a variation of 50 basis points while holding all other variables constant would have an impact of approximately $21,000 (2019 - $14,500) on net loss.

(iii) Fair values

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

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

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

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

The fair values of 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 of short-term investments, trade and other receivables, research and development tax credits receivable, trade payables and accrued liabilities, term debt, 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.

The convertible debt, which includes valuations based on less observable inputs and the warrants and embedded derivatives, which are classified as financial liabilities at FVTPL since they are denominated in a currency other than the Company's functional currency, are measured as level 3.

(iv) 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.

(v) 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.

(vi) Derivatives

The Company did not enter into significant derivative contracts for the year ended October 31, 2020.

Management of capital

The book value of the Company's capital is as follows:

	2020	2019
	$	$
Bank indebtedness	-	330,000
Term debt	421,220	253,000
Convertible debt	2,269,160	-
Long-term debt	3,935,783	2,650,000
Shareholders' equity (excluding cumulative translation adjustment)	6,716,352	11,860,203
	13,342,515	**15,093,203**

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its organic growth, to establish a strong capital base while providing adequate returns on investment. The Company's primary uses of capital are to finance increases in non-cash working capital along with research and development.

The Company currently funds these requirements from cash flows from operations as well as its financial resources, which include cash balance and credit facilities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable growth. Management forecasts sufficient cash flow to support the Company's operations for the following twelve months, however, refer to the Basis of preparation and going concern assumption section for additional information.

Commitments and contingencies

Warranty costs

During the normal course of operations, the Company assumes certain maintenance and repair costs under warranties offered on products sold. The standard warranties cover a period of one to two years. During the year, the Company incurred $210,310 (2019 - $200,548) in warranty costs.

This estimated warranty provision is based on the Company's experience and $149,946 (2019 - $148,202) is included in trade payables and accrued liabilities on the consolidated statement of financial position. The actual amount that the Company may have to incur and the timing of the repairs to be carried out are unknown at this time and will only become known when they occur.

Contingencies

In the ordinary course of business, the Company may be subject to various claims, legal actions and environmental obligations. Management does not believe that any of the existing claims and legal actions will have a significant effect on the Company's financial position or operating results. However, the outcome of such matters may vary significantly from management's estimates.

Government assistance

In response to the negative economic impact of COVID-19, various government programs have been enacted to provide financial relief to businesses. The Company determined that it qualified for the Canada Emergency Wage Subsidy ("CEWS") program under the COVID-19 Economic Response plan for certain periods, which subsidizes a portion of eligible Canadian employee wages, and the amount eligible is based on demonstrating a decline in revenue, the calculation of which varies in accordance with the CEWS program.

The contribution received was recorded as a reduction to the following accounts:

	2020
	$
Consolidated statements of loss and comprehensive loss	
Cost of sales	170,793
General and administrative	278,962
Selling and distribution	500,074
Research and development	92,055
	1,041,884
Consolidated statements of financial position	
Inventories	212,616
Intangible assets	171,335
	468,477
	1,510,361

The program is currently extended into the Company's Q3 2021, however may only be eligible to the extent the Company demonstrates on a monthly basis a decline in revenue and will depend on any updated calculations of the program. Given the expected increase in revenue from Fiscal 2020, the extent of the Company's eligibility to obtain further CEWS subsidies in 2021 is unknown.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of obligations under operating leases that have a lease term of 12 months or less and leases with low-value assets[7]. 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.

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

Related Party Transactions

Remuneration payable to key management personnel[8]

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

	2020	2019
	$	$
Trade payables and accrued liabilities	30,308	29,423

Compensation of directors and key management personnel

The following table summarizes the remuneration of directors and key management personnel from transactions which took place in the normal course of business. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties.

	2020	2019
	$	$
Short-term benefits	1,206,743	1,640,312
Share-based payments	749,681	2,003,729

Outstanding Share Data

On October 31, 2020 the Company had 26,998,103 common shares issued and outstanding, 4,619,376 warrants, 232,665 compensation options and 2,160,000 stock options outstanding convertible on a one-for one basis into common shares, as well as 147,153 DSUs and 1,153,504 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.

Additionally, on October 31, 2020 the Company had senior unsecured convertible debentures in the principal amount of $3,940,000, convertible all, or in part into the Company's common shares at a conversion price of $0.80 per share. The convertible debenture carries a coupon rate of 10%, payable semi-annually in arrears on June 30 and December 31 of each year commencing June 30, 2020, until the maturity date. The Company may, at its sole discretion, pay all or part of the interest in cash or in common shares, in which case the amount will be converted into the Company's common shares based on the five-day volume-weighted average trading price of the common shares on the day prior to the date on which the interest is payable. Accordingly, on June 30, 2020, the Company settled the first coupon payable on its convertible debt by issuing 130,606 common shares from treasury and on January 12, 2021 the it issued 562,862 additional Common Shares from treasury as settlement of the second semi-annual 10% coupon for the six-month period ended December 31, 2020, representing an amount of $197,000.

Segment Reporting

The Company has determined that it has only one reportable operating segment, the development and marketing of security screening X-ray 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.

[8] 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.

The following table summarizes revenue by geographical area for the years ended October 31, 2020 and 2019:

	2020	2019
	%	%
United States	56	46
Europe, Middle East, and Africa	25	9
Latin America	8	2
Asia-Pacific	7	36
Canada	4	5
Other	-	2
	100	**100**

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

	2020	2019
	$	$
Canada	6,593,100	4,107,650
Malaysia	63,578	64,445
United Arab Emirates	47,301	68,963
	6,703,979	**4,241,058**

Basis of presentation and going concern assumption

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

The preparation of financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at October 31, 2020, the Company had not yet achieved profitable operations and had a net loss of $6,735,410 for the year ended October 31, 2020, and negative cash flows from operations of $1,515,004. As at October 31, 2020, the Company also had current assets less current liabilities of $8,477,332. In addition, since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

The impact of COVID-19 on the markets and industries to which the Company sells its products, including government buildings and perimeters, transportation, travel and events & entertainment industries (including cruise line, aviation and public venues such as sporting venues) has been significant and is evolving. Specifically, the level of sales orders that were expected prior to the onset of COVID-19 to be received and shipments delivered for the year ended October 31, 2020 were significantly reduced. To the extent that customer orders do not materialize as expected, our customers postpone orders, or can cancel them, our revenues, cash inflows and financial performance may be adversely impacted.

In accordance with the Company's banking agreement with our bank, the revolving line of credit facility decreased from a maximum borrowing base of $2,500,000 to $500,000 on December 31, 2020. In addition, our borrowing base with Espresso Capital Ltd., has reached its limit, prescribed by the borrowing base calculation, which is driven by gross margin. To the extent that our cash needs exceed our borrowing capacity with our lenders, or the Company is unable to obtain and maintain sufficient financial support, the Company may experience difficulty in meeting its financial obligations.

The Company has not, to date, experienced an inability to fulfill customer orders. Measures have been taken to ensure the availability of components on hand to fulfill orders through the first quarter of Fiscal 2021 and into the second quarter. To the extent that VOTI's suppliers close for an extended period of time, or that the Company encounters difficulty in securing containers with freight forwarders, delays in delivery to customers could result with an adverse impact on financial performance and cash flow. In addition, VOTI is closely monitoring international cross-border trade, and the impact this may have on the Company.

It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Due to this uncertainty, should sales orders be postponed, canceled or not continue to materialize, funding not be available, or significant supply chain issues occur, the Company may experience difficulty in meeting its obligations. In order to address this uncertainty, management has and is continuing to undertake the following actions:

- Raised $3,940,000 of financing through the sale of convertible debenture units.
- Extended payment terms with Espresso Capital Ltd. for $1,000,000.
- Reduced operating costs.
- Obtained funding and relief in connection with COVID-19 government programs.
- Pursuing various avenues of financing, including debt and/or equity.

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

Critical Accounting Estimates

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

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

In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognized in these consolidated financial statements.

Research and development tax credits receivable

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

Share-based payments

The calculation of the fair value of common shares, stock options, DSUs, RSUs and warrants granted require management to make estimates and assumptions about the expected volatility, expected life, expected risk free interest rates 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 loss and comprehensive loss 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 and impairment 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*.

Interest and discount rates on long-term liabilities

From time to time, the Company enters into a non-interest-bearing loan agreement, typically with governmental institutions. According to the guidance of IFRS 9, *Financial Instruments*, a non-interest bearing loan, may be considered a form of a government grant or subsidy and accordingly should be recognised at fair value, measured as the present value of all future cash payments discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating.

Additionally, the Company sells extended warranty coverages for durations that typically extend beyond 12 months, with the advanced collection of funds prior to satisfying the associated performance obligations. According to IFRS 15, *Revenue from Contracts with Customers*, in situations as such, an adjustment to the transaction price of the contract is required, in order to reflect the time value of money, otherwise defined as significant financing component.

In order to determine the appropriate discount rates for both the non-interest-earing loans and the significant financing component, Management applies judgment in assessing the Company's incremental borrowing rate, identifying comparable information and calculating reasonably comparable rates.

Additionally, in preparing these consolidated financial statements, Management applied significant judgment in applying the Company's accounting policies and the key sources of information when assessing the Company's going concern and the considerations related to the issuance of convertible debenture units. These judgments, estimates and assumptions related to the going concern and convertible debenture units are described above under Basis of preparation and going concern assumption.

Changes in significant accounting policies

IFRS 16, Leases

On November 1, 2019, the Company adopted IFRS 16, *Leases*, which applies to fiscal years beginning on or after January 1, 2019. The Company had retrospectively applied IFRS 16, recognizing the cumulative effect of initial application at the date of initial application without restatement of comparative figures as at October 31, 2018.

IFRS 16 replaces the following standards: IAS 17, *Leases*, IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases – Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 introduces a single lease accounting model for lessees whereby all lease agreements are recognized in the amended and restated consolidated statement of financial position through a right-of-use asset and a lease obligation. Exemptions are permitted for short-term leases and leases for which the underlying asset is of low value.

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

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

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

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

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

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

Upon implementing IFRS 16 on November 1, 2019, the Company recognized $1,316,278 of lease liabilities, which equals to the amount of right of use assets recognized.

Business Risks

The Company believes that the growth and success of its business depends on many factors, some of which are discussed in this MD&A, including the section below, and in other filings made by the Company with the Canadian securities regulatory authorities, such as the ones described under "Part I – Risk Factors" in the Company's Filing Statement dated November 5, 2018. All filings can be found under the Company's profile on SEDAR at *www.sedar.com*.

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

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

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

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

The impact of COVID-19 on the markets and industries to which the Company sells its products, including government buildings and perimeters, transportation, travel and events & entertainment industries (including cruise line, aviation and public venues such as sporting venues) has been significant and is evolving. Specifically, the level of sales orders that were expected prior to the onset of COVID-19 to be received and shipments delivered for the year ended October 31, 2020 were significantly reduced. To the extent that customer orders do not materialize as expected, our customers postpone orders, or can cancel them, our revenues, cash inflows and financial performance may be adversely impacted.

Although the Company has not, to date, experienced an inability to fulfill customer orders, the future impact of the COVID-19 pandemic on the Company's business, financial condition and results of operations remains uncertain. VOTI has taken measures to help ensure the availability of components on hand to fulfill current orders through the first quarter of Fiscal 2021 and anticipated to be into the second quarter of Fiscal 2021. To the extent that VOTI's suppliers close for an extended period of time, or that the Company encounters difficulty in securing containers with freight forwarders, delays in delivery to customers could result with an adverse impact on financial performance and cash flow. In addition, we are closely monitoring international cross-border trade, and the impact this may have on the Company.

The COVID-19 pandemic and related restrictions may also disrupt or delay the ability of employees to work because they become sick or are required to care for those who become sick, cause delays or disruptions in services provided by VOTI's suppliers, increase its vulnerability and that of its partners and service providers to security breaches, denial of service attacks or other hacking or phishing attacks, or cause other unpredictable events. Additionally, although the Company has attempted to identify all the COVID-19-related risks faced by its business, the uncertainty and lack of predictability around the COVID-19 pandemic means there may be other risks not presently known to the Company or that it presently believes are not material that could also affect the Company's business, financial condition and results of operations. A material adverse effect on the Company's employees, customers, suppliers, partners and/or other stakeholders could have a material adverse effect on the Company.

It is not possible to reliably estimate the length and severity of these developments and the future impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

The Company continues to revise its plans with respect to its cash flow and financing.

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

Disclosure controls and procedures and internal control over financial reporting

In accordance with the requirements of National Instrument 52-109, VOTI's Chief Executive Officer and Chief Financial Officer have designed 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.

Management, including the Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the reality judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.