Management's Discussion and Analysis of

VOTI DETECTION INC.

For the three-month period ended January 31, 2021

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Basis of Presentation

The following has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial condition as at January 31, 2021 and October 31, 2020 and operating results of VOTI Detection Inc. ("the Company" or "VOTI") for the three-month periods ended January 31, 2021 and 2020.

This MD&A was prepared as of March 31, 2021 with information available at this date. All references in this MD&A 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 interim condensed consolidated financial statements of VOTI Detection Inc. for the three-month periods ended January 31, 2021 and 2020. 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

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 continues to evolve at this time, 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 entered Fiscal 2021 with a significantly leaner operating structure and a focus on improved processes and policies.

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. Barring any further unforeseen negative impact or escalation of COVID-19, 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 new software solutions; 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 there is a continued adverse affect, the growth strategy of VOTI could be affected and the disclosure in this MD&A including any assumptions and future plans or expectations that are made in this 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 three-month period ended January 31, 2021

- Revenue for the three-month period ended January 31, 2021 totaled $6,324,215 compared to $6,042,016 for the same period in Fiscal 2020, an increase of $282,199 or 5%. The increase is primarily attributed to the greater number of units sold and the first-time sales of VotiINSIGHTS in the quarter, as well as the change in product mix being sold. The Company sold 167 security scanning units compared to 148 during the same period in Fiscal 2020.
- The Company began 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.
- Gross profit increased to $2,364,836, or 37% of revenue, compared to $1,905,199 or 32% for the same period in Fiscal 2020. The 5% increase in gross margin compared to the same period in Fiscal 2020 is primarily the result of the Company's first time sales of its VotiINSIGHTS analytics dashboard to three customers, the benefits of cost reduction initiatives, the increase in after sale services and revenue from extended warranty, partially offset by certain scanner sales with lower margins.
- Net loss decreased to $1,130,531 compared to $2,224,603 for the same period of Fiscal 2020. The decrease in net loss of $1,094,072 is primarily related to the increase in revenue and gross margin, reduction of operating costs, funding received from the Canadian Federal government COVID-19 Canada Employee Wage Subsidy (CEWS) stimulus program, and the decrease in non-cash share-based payments and change in fair value of warrants expenses, partially offset by the increase in net financial expenses and the increase in depreciation and amortization expenses.
- Adjusted EBITDA increased to $503,375 compared to ($1,079,153) for the same period of Fiscal 2020. The increase of $1,582,528 is primarily related to the increase in gross profit, the decrease in operating costs and funding received from the CEWS stimulus program.

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.

The reconciliation of net loss to EBITDA, Adjusted EBITDA and then to Adjusted EBITDA margin for the three-month periods ended January 31, 2021 and 2020 are as follows:

	Three-months ended January 31,	
	2021	**2020**
	$	$
Revenue	**6,324,215**	6,042,016
Net loss	**(1,130,531)**	(2,224,603)
Financial expenses[1]	**1,077,488**	256,525
Depreciation and amortization	**293,081**	166,346
EBITDA	**240,038**	(1,801,732)
Change in fair value of warrants	**43,252**	191,207
Change in fair value of embedded derivatives	**88,650**	-
Share based payments[2]	**131,435**	531,372
Adjusted EBITDA	**503,375**	(1,079,153)
Adjusted EBITDA margin (%)	**8%**	(18%)

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.

The reconciliations of net loss to Adjusted net loss for the three-month periods ended January 31, 2021 and 2020 are as follows:

	Three-months ended January 31,	
	2021	**2020**
	$	$
Net loss	**(1,130,531)**	(2,224,603)
Change in fair value of warrants	**43,252**	191,207
Change in fair value of embedded derivatives	**88,650**	-
Share based payments	**131,435**	531,372
Adjusted net loss	**(867,194)**	(1,502,024)

[1] 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.

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

The reconciliations of basic and diluted loss per share to Adjusted loss per share for the three-month periods ended January 31, 2021 and 2020 are as follows:

	Three-months ended January 31,	
	2021	**2020**
	$	$
Basic and diluted loss per share	**(0.04)**	(0.08)
Impact of adjustments to net loss	**0.01**	0.02
Adjusted loss per share	**(0.03)**	(0.06)

Results of Operations

Three-month periods ended January 31, 2021 and 2020

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 January 31, 2021 compared to the corresponding period of 2020:

	2021	**2020**	**Variance**	**Variance (%)**
	$	$	**$**	$
Revenue	**6,324,215**	6,042,016	**282,199**	5%
Cost of goods sold	**3,959,379**	4,136,817	**(177,438)**	(4%)
Gross profit	**2,364,836**	1,905,199	**459,637**	24%
Gross margin	**37%**	32%	**5%**	N/A
General and administrative expenses	**882,299**	1,175,713	**(293,414)**	(25%)
Selling and distribution expenses	**1,041,172**	1,787,837	**(746,665)**	(42%)
Research and development expenses	**231,071**	187,148	**43,923**	23%
Net financial expenses	**1,077,488**	256,525	**820,963**	320%
Change in fair value of warrants	**43,252**	191,207	**(147,955)**	(77%)
Change in fair value of embedded derivatives	**88,650**	-	**88,650**	N/A
Share-based payments	**131,435**	531,372	**(399,937)**	(75%)
Net loss	**(1,130,531)**	(2,224,603)	**1,094,072**	49%
Basic and diluted loss per share	**(0.04)**	(0.08)	**0.04**	N/A
Adjusted net loss	**(867,194)**	(1,502,024)	**634,830**	42%
Basic & diluted Adj. loss per share	**(0.03)**	(0.06)	**0.03**	N/A

Revenue for the three-month period ended January 31, 2021 totaled $6,324,215 compared to $6,042,016 for the same period in Fiscal 2020, an increase of $282,199 or 5%. The increase is primarily attributed to the greater number of units sold and the first-time sales of VotiINSIGHTS in the quarter, as well as the change in product mix being sold.

Gross profit increased to $2,364,836, or 37% of revenue, compared to $1,905,199 or 32% for the same period in Fiscal 2020. The 5% increase in gross margin compared to the same period in Fiscal 2020 is primarily the result of the Company's first time sales of its VotiINSIGHTS analytics dashboard to three customers, the benefits of cost reduction initiatives, the increase in after sale services and revenue from extended warranty, partially offset by certain scanner sales with lower margins. The Company sold 167 security scanning units compared to 148 during the same period in Fiscal 2020.

General and administrative expenses decreased to $882,299 compared to $1,175,713 for the same period in Fiscal 2020. The decrease is primarily due to cost reduction initiatives, 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 which commenced during the second quarter of Fiscal 2020 and continued through the first quarter of Fiscal 2021.

Selling and distribution expenses decreased to $1,041,172 compared to $1,787,837 for the same period in Fiscal 2020. The decrease of $746,665 is primarily due is primarily due to reduction in travel expenses, tradeshows attended, personnel costs, funding from the CEWS stimulus program and support services, all as a direct result of the global impact of COVID-19.

Research and development expenses increased to $231,071 compared to $187,148 for the same period in Fiscal 2020. The increase of $43,923 is primarily due to the increase in amortization, partially offset by reduced personnel costs and spending on non-critical research projects.

Net financial expenses increased to $1,077,488 compared to $256,525 for the same period in Fiscal 2020. The increase of $820,963 is primarily due to the increase in foreign exchange loss, interest accretion on the convertible debt issued in the second and third quarters of Fiscal 2020, interest expense related to additional funds borrowed, and the increase in significant financing component interest on extended warranties.

Change in fair value of warrants decreased to a $43,252 loss compared to $191,207 for the same period in Fiscal 2020. The decrease of $147,955 is primarily due to the reduction of fair value of the warrants issued in connection with the Company's RTO transaction to almost nil, partially offset by an increase in the number of warrants issued in connection with the convertible debentures issues in Fiscal 2020.

Change in fair value of embedded derivatives decreased to a $88,650 loss compared to nil for the same period in Fiscal 2020. This is a financial instrument which represents the conversion option embedded in the convertible debentures which were issued during the second and third quarters of Fiscal 2020 and did not exist during the three-month period ended January 31, 2020.

Share-based payments expenses decreased to $131,435 compared to $531,372 for the same period in Fiscal 2020. The decrease of $399,937 is primarily due an increased number of forfeited stock options and a reduced number of unvested stock options and DSUs.

Net loss decreased to $1,130,531 compared to $2,224,603 for the same period of Fiscal 2020. The decrease in net loss of $1,094,072 is primarily related to the increase in revenue and gross margin, reduction of operating costs, funding received from the CEWS stimulus program, and the decrease in non-cash share-based payments and change in fair value of warrants expenses, partially offset by the increase in net financial expenses and the increase in depreciation and amortization expenses.

Financial Position

The following table provides an analysis of the Company's consolidated statement of financial position as at January 31, 2021 compared to October 31, 2020:

	January 31, 2021	October 31, 2020	Variance
	$	$	$
Total Assets	**22,501,687**	**21,513,908**	**987,779**
Variance mainly due to:			
Cash	**3,354,102**	2,088,825	1,265,277
Trade and other receivables	**2,752,945**	1,928,906	824,039
Inventories	**8,704,466**	9,579,181	(874,715)
Property and equipment	**890,641**	1,037,115	(146,474)
Total Liabilities	**17,483,649**	**15,345,946**	**2,137,703**
Variance mainly due to:			
Trade payables and accrued liabilities	**4,240,414**	3,664,385	576,029
Customer deposits	**804,196**	302,128	502,068
Deferred revenue	**3,784,585**	2,874,537	910,048
Convertible debt	**2,401,695**	2,269,160	132,535
Total Shareholders' Equity (Deficit)	**5,018,038**	**6,167,962**	**(1,149,924)**
Variance mainly due to:			
Share capital	**38,973,368**	38,776,368	197,000
Stock option reserve	**3,713,097**	3,581,662	131,435
Deficit	**(36,772,209)**	(35,641,678)	(1,130,531)
Cumulative translation adjustment	**(896,218)**	(548,390)	(347,828)

Cash increased to $3,354,102 at January 31, 2021 compared to $2,088,825 at October 31, 2020. The increase of $1,265,277 is primarily attributed to the net increase in cash from operating activities, partially offset by a decrease in cash from financing and investing activities.

Trade and other receivables increased to $2,752,945 at January 31, 2021 compared to $1,928,906 at October 31, 2020. The increase of $824,039 is primarily due to the increase in sales on credit near the end of the quarter.

Inventories decreased to $8,704,466 at January 31, 2021 compared to $9,579,181 at October 31, 2020. The decrease of $874,715 is primarily due to the depletion of excess inventory purchased in 2020, partially offset by an increase in the number of scanners manufactured for rental at a high-profile sporting event.

Property and equipment decreased to $890,641 at January 31,2021, compared to $1,037,115 at October 31, 2020. The decrease is primarily due to depreciation of the assets.

Trade payables and accrued liabilities increased to $4,240,414 at January 31, 2021, compared to $3,664,385 at October 31, 2020. The increase of $576,029 is primarily due to increased component purchases near the end of the first quarter of Fiscal 2021 compared to the fourth quarter of Fiscal 2020.

Deferred revenue increased to $3,784,585 at January 31, 2021, compared to $2,874,537 at October 31, 2020. The increase is primarily due to selling additional prepaid extended warranties, partially offset by the revenue recognized during the period.

Convertible debt increased to $2,401,695 at January 31, 2021, compared to $2,269,190 at October 31, 2020. The increase of $132,535 is due to the interest accretion expense, partially offset by the issuance of 562,862 common shares from treasury as settlement of the $197,000 semi-annual 10% coupon for the six-month period ended December 31, 2020.

Share capital increased to $38,973,368 at January 31, 2021, compared to $38,776,368 at October 31, 2020. The increase of $197,000 is due to the issuance of 562,862 common shares during the first quarter of Fiscal 2021 as settlement of interest related to the semi-annual 10% convertible debentures coupon.

Stock option reserve increased to $3,713,097 at January 31, 2021, compared to $3,581,662 at October 31, 2020. The increase of $131,435 is due to the share-based payments expense recorded during the three-months ended January 31, 2021.

Deficit increased to $36,772,209 at January 31, 2021, compared to $35,641,678 at October 31, 2020. The increased deficit of $1,130,531 is due to the net loss incurred during the three-month period ended January 31, 2021.

Cumulative translation adjustment decreased to a negative position of $896,218 at January 31, 2021, compared to $548,390 at October 31, 2021. The decrease of $347,828 is related to the impact of translation the balance sheet from the Company's functional currency USD to its CAD presentation currency.

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 three-month period ended January 31, 2021 compared to the corresponding period of Fiscal 2020 is presented below:

	2021	**2020**	**Variance**
	$	$	$
Net cash from (used in) operating activities	**2,203,019**	(3,213,654)	5,416,673
Net cash used in investing activities	**(217,754)**	(904,755)	687,001
Net cash (used in) from financing activities	**(354,252)**	3,030,628	(3,384,880)
Net change in cash	**1,631,013**	(1,087,781)	2,718,794
Net effect of foreign exchange rate changes on cash	**(365,736)**	19,625	(385,361)
Cash and restricted cash, beginning of period	**2,088,825**	1,941,507	147,318
Cash, end of period	**3,354,102**	**873,351**	**2,480,751**

Net cash from operating activities during the three-month period ended January 31, 2021 increased by $5,416,673 when compared to Fiscal 2020. The increase in net cash from operations is primarily due to the improvement of the Company's cash-based operating results for the three-month period ended January 31, 2021, and the positive impact from the change in the Company's non-cash working capital.

Net cash used in investing activities during the three-month period ended January 31, 2021 decreased by $687,001 when compared to the same period in Fiscal 2020 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 used in financing activities during the three-month period ended January 31, 2021 increased by $3,384,880 compared to the same period in Fiscal 2020. The increase in net cash used primarily resulted from increased borrowings from the Company's line of credit and the Espresso facilities (as described below), as well as the issuance of common shares all during the three-month period ended January 31, 2020.

Other Cash Considerations

Bank indebtedness & letters of guarantee

The Company has an available revolving demand facility, as was re-negotiated with the financial institution, of $500,000 ("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 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 January 31, 2021, no amount (October 31, 2020 – nil) was drawn under Facility 1 and there were letters of guarantee under Facility 2, denominated in U.S. dollars, totaling $451,237 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 January 31, 2021, this ratio was not met, however was tolerated by the financial institution. On March 18, 2021, this ratio was replaced with a minimum tangible net worth calculation of $1,000,000.

Term debt

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

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

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

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

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

c) the date a refund is received; or

d) April 30, 2021.

As at January 31, 2021 the Company has borrowed an amount of $165,511 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 January 31, 2021 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 January 31, 2021, the Company's authorized credit limit is $3,847,000 less any borrowings on this facility.

Amounts drawn on this facility include a placement fee of 1.25% and bear interest at 15.25% per annum. The facility is secured by a $9,000,000 movable hypothec on the universality of the Company's movable property, subject to a first ranking security interest held by the creditor of the Company's bank indebtedness.

The amount outstanding as at January 31, 2021 was $3,650,000, of which an amount of $1,000,000 was payable on April 30, 2020. On June 8, 2020 the agreement was amended, whereby the repayment of the $1,000,000 was to be made in 12 equal monthly instalments commencing December 31, 2020. The amendment also provided, 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 can be converted into common shares on a cashless exercise basis. On February 22, 2021, the agreement was amended again 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 for an exit fee of $20,000 to be paid upon the repayment of the $1,000,000.

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 January 31, 2021 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 non-interest bearing 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 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 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.

On January 18, 2021 the Company borrowed the remaining $100,000 tranche, thereby increasing the loan amount to $500,000. This tranche was measured at issuance by applying the same methodology used in determining the initial borrowed amount of $400,000, resulting in the addition of $32,465 to the liability.

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 coupon 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 January 31, 2021, no such approval was required.

In accordance with IFRS 9, Financial Instruments, the Company determined that each unit was comprised of three financial instruments that should be measured separately: (i) warrants; (ii) embedded derivatives (i.e. conversion option); and (iii) convertible debt.

The carrying amount of the convertible debenture is as follows:

	2021
	$
Balance as at October 31, 2020	**2,269,160**
Interest accretion expense	**329,535**
Interest settled by shares issuance	**(197,000)**
Balance as at January 31, 2021	**2,401,695**

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.

During the three-month period ended January 31, 2021 the Company settled the $197,000 semi-annual 10% coupon due on December 31, 2020 by issuing 562,862 common shares from treasury.

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 (loss) income**	**Adjusted loss per share**
	$	**$**	**$**	**$**	**$**
January 31, 2021	**6,324,215**	**(1,130,531)**	**(0.04)**	**(867,194)**	**(0.03)**
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

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.

(ii) 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 interim condensed consolidated financial statements regarding basis of preparation and going concern assumption).

The following are amounts due on contractual maturities of financial liabilities as at January 31, 2021:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years
	$	$	$	$
Bank indebtedness	-	-	-	-
Trade payables and accrued liabilities[3]	4,090,468	4,090,468	4,090,468	-
Term debt	333,731	333,731	333,731	-
Convertible debt	2,401,695	3,940,000	-	3,940,000
Long-term debt	3,980,272	4,340,000	960,209	3,379,791
	10,806,166	12,704,199	5,384,408	7,319,791

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.

[3] Net of warranty provision

(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.

(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 during the three-month period ended January 31, 2021.

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 for the three-month period ended January 31, 2021 was recorded as a reduction to the following accounts:

	2021
	$
Consolidated statements of loss and comprehensive loss	
Cost of sales	**110,146**
General and administrative	**79,785**
Selling and distribution	**122,404**
Research and development	**80,755**
	393,090
Consolidated statements of financial position	
Inventories	**23,988**
Intangible assets	**42,298**
	66,286
	459,376

Off-Balance Sheet Arrangements

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

Related Party Transactions

Remuneration payable to key management personnel[4]

The following table summarizes the remuneration payable to key management personnel included in accounts payable and accrued liabilities for the three-month periods ended January 31, 2021 and 2020:

	2021	2020
	$	$
Trade payables and accrued liabilities	**44,481**	16,346

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

Compensation of directors and key management personnel

The following table summarizes the remuneration of directors and key management personnel from transactions which took place in the normal course of business for the three-month periods ended January 31, 2021 and 2020. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties.

	2021	2020
	$	$
Short-term benefits	**258,873**	312,917
Share-based payments	**116,163**	346,154

Outstanding Share Data

On January 31, 2021 the Company had 27,560,965 common shares issued and outstanding, 4,619,376 warrants, 88,427 compensation options and 1,985,000 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 January 31, 2021 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 January 12, 2021 the Company issued 562,862 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.

The following table summarizes revenue by geographical area for the three-month periods ended January 31, 2021 and 2020:

	2021	2020
	%	%
United States	**73**	67
Europe, Middle East, and Africa	**11**	15
Asia-Pacific	**10**	10
Latin America	**4**	7
Canada	**2**	1
	100	**100**

The following table summarizes non-current assets information by geography at January 31, 2021 and October 31, 2020:

	January 31, 2021	October 31, 2020
	$	$
Canada	**6,250,938**	6,593,100
Malaysia	**56,044**	63,578
United Arab Emirates	**40,311**	47,301
	6,347,293	**6,703,979**

Basis of presentation and going concern assumption

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities as 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 January 31, 2021, the Company had not yet achieved profitable operations in accordance with IFRS and had a net loss of $1,130,531 for the three-months ended January 31, 2021 and a positive cash flows from operations of $2,203,019. As at January 31, 2021, the Company also had current assets less current liabilities of $8,354,213 and a deficit of $36,772,209. 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 since the onset of COVID-19 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 Espresso Capital Ltd., the borrowing base is near its limit, as prescribed by the borrowing base calculation, which is driven by gross margin. In addition, the loan is also subject to a minimum working capital calculation, which may not be respected on April 30, 2021 as a result of $3.6 million of convertible debentures, coming due within 12 months, and consequently any remaining Espresso loan balance would become due and payable . 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 existing orders. To the extent that our 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.

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 preparing the interim condensed consolidated financial statements for the three-months ended January 31, 2021, the significant judgments made by management in applying the Company's accounting policies and the key sources of information were the same as those applied to the annual audited consolidated financial statements for the year ended October 31, 2020, other than the considerations described above under basis of preparation and going concern assumption.

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 since the onset of COVID-19 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 existing customer orders. 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.