Management's Discussion and Analysis of

VOTI Detection Inc.

For the three months ended January 31, 2022

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Basis of Preparation

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, 2022 and October 31, 2021 and operating results of VOTI Detection Inc. ("the Company" or "VOTI") for the three-month periods ended January 31, 2022 and 2021.

This MD&A was prepared as of March 29, 2022, with information available at this date. All references in this MD&A to Fiscal 2022 are to the fiscal year ended October 31, 2022, 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, 2022, and 2021. 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 resulted in the deferral of customers' orders to future periods, especially during times of rapid surges in COVID-19 cases. This was the case during the first quarter of Fiscal 2022, as the rise in COVID-19 cases from the Omicron variant resulted in the Company's inability to fulfil orders in a timely manner and in the deferral of customers' orders.

Nonetheless, 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 thereof. These strategies, which include strengthening the Company's cash position through debt and equity financing, leveraging of available government programs, and cost reduction measures, has allowed the Company to enter Fiscal 2022 with a significantly leaner operating structure with an enhanced focus on the improvement of 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.

Although VOTI continues to benefit from the upturn in what appears to be post-COVID economy, and despite witnessing preliminary results from the significant efficiency initiatives that were implemented during Fiscal 2021, VOTI's recovery has been slower than expected, largely due to the surge in Omicron cases, and its impact on the global supply chain. Based on the most recent global economy climate and trends, VOTI is now forecasting a return to pre-pandemic sales level, only at the second half of Fiscal 2022. Additionally, and like most other industries that have been impacted by the massive global dislocations within global supply routes and warehousing, VOTI has been significantly impacted by shortages of key manufacturing components, order backlogs, delivery delays and increased transportation costs. Accordingly, in efforts to curtail these challenges, VOTI has concluded on pre-ordering certain crucial long lead-time components and begun prioritizing logistics and inventory management functions over others within the organization.

The Company's main objective for Fiscal 2022, is to strengthen its financial stability by executing on its strategic plan, which has already begun as follows:

- VOTI undertook to rebuild its management team, in doing so it strategically strengthened itself through the hiring of three senior and highly accomplished executives who are key to taking the business to the next phase of its evolution, two of whom joined VOTI from direct competitors. The respective roles are for the positions of COO, VP Global Sales and CTO/VP Engineering & Product Management. While a significant impact has been felt, the full contribution will only become evident at the latter part of the Fiscal 2022.
- VOTI's base of business is growing as the company continues to benefit from improvements in its technology and feature sets, resulting in VOTI capturing new market segments such as the US Federal Government as well as the lucrative air cargo market, which it can now penetrate following the introduction of its newly TSA certified 15D model. These new markets will serve as catalysts for growth in 2022 and beyond. VOTI also began enhancing its presence in existing verticals, such as the Canadian Federal Government, distribution centers for loss prevention as well as correctional facilities. It`s important to highlight that VOTI has worked with both US & Canadian Federal governments for over two years and expects to see significant benefits from these relationships in 2022.
- VOTI has introduced improvements and efficiencies to its hardware & software platforms, including the launch of its Linux based Matrix series of scanners in 2021, which have enabled it to decrease costs associated with its bill of materials (BOM), which yields an increase in gross margin.
- VOTI launched its VotiINSIGHTS platform in 2021, a powerful fleet management and analytics tool, which was developed in conjunction with a key US Federal Government Agency. With the inclusion of VOTI's scanners in the Agency's catalog, orders are expected to commence in Q2 and will be shipped beginning in Q3 of Fiscal 2022. It should be noted that this Agency has over 1,400 scanners in the field worldwide and intends to begin a replacement program starting in 2022 through 2028.

- On March 29, 2022, the Company completed a brokered private placement of 15,717,434 units at a price of $0.15 per unit for aggregate gross proceeds of $2,357,615. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, which entitles its holder to acquire one common share at a price of $0.20 per share for a period of 3 years. Additionally, in consideration for their services, the Company issued 1,239,060 warrants to the private placement's agents, each of which entitles its holder the option to acquire one common share at a price of $0.15 per share for a period of 36 months.

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 effect, 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 and proprietary software. 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 is 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 months ended January 31, 2022

- Revenue for the three months ended January 31, 2022 totaled $4,284,856 compared to $6,324,215 for the same period in Fiscal 2021, a decrease of $2,039,359 or 32%. The Company sold 116 security scanning systems compared to 167 during the same period in Fiscal 2021. The decrease is primarily attributed to the lower volume of systems sold, including the product and geography mix of the systems sold, which in the three months ended January 31, 2022, includes a greater number of systems at a lower pricing compared to the same period in Fiscal 2021. This is partially offset by an increase in after sales services and extended warranties revenue.
- Gross profit decreased to $1,431,881 or 33% of revenue, compared to $2,364,836 or 37% of revenue, for the same period in Fiscal 2021, a decrease of $932,955 or 4% of revenue. The decrease in gross margin of 4% is primarily related to the lower number of systems sold, including their product and geography mix, a 3.5% increase in the average component cost per scanner, resulting mainly from an increase in freight costs allocated to the inventory sold (due to the impact of COVID-19 on the global supply chain), and the termination of funding from the Canadian Federal Government CEWS stimulus program. These are partially offset by an increase in revenue from after sales services and extended warranties as a percentage of overall revenue, which carry higher margins.
- Net loss increased to $1,190,502 compared to $1,130,531 for the same period in Fiscal 2021. The increase in net loss of $59,971 is primarily related to the decrease in gross profit, the increase in general and administrative expenses, selling and distribution expenses and research and development expenses, partially offset by a decrease in net financial expenses, increase in non-cash gain from changes in fair value of embedded derivative, increase in non-cash gain from change in fair value of warrants, and a decrease in share-based payments.
- Adjusted EBITDA decreased to a negative position of ($953,072) compared to a positive position of $503,375 for the same period of Fiscal 2021. The decrease of $1,456,447 is primarily related to the decrease in gross profit and the increase in net operating expenses.

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 are as follows:

	Three months ended January 31,	
	2022	2021
	$	$
Revenue	**4,284,856**	6,324,215
Net loss	**(1,190,502)**	(1,130,531)
Financial expenses[1]	**221,412**	1,077,488
Depreciation and amortization	**323,653**	293,081
EBITDA	**(645,437)**	240,038
Change in fair value of warrants	**(599,560)**	43,252
Change in fair value of embedded derivatives	**(5,625)**	88,650
Share based payments[2]	**121,847**	131,435
Unusual and non-recurring items		
Other items[3]	**175,703**	-
Adjusted EBITDA	**(953,072)**	503,375
Adjusted EBITDA margin (%)	**(22%)**	8%

[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 stock options, deferred share units and restricted share units

[3] Other items include non-recurring professional fees and warranty and other provisions.

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 is as follows:

	Three months ended January 31,	
	2022	2021
	$	$
Net loss	**(1,190,502)**	(1,130,531)
Change in fair value of warrants	**(599,560)**	43,252
Change in fair value of embedded derivatives	**(5,625)**	88,650
Share based payments	**121,847**	131,435
Unusual and non-recurring items		
Other items	**175,703**	-
Adjusted net loss	**(1,498,137)**	(867,194)

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

	Three months ended January 31,	
	2022	2021
	$	$
Basic and diluted loss per share	**(0.03)**	(0.04)
Impact of adjustments to net loss	**(0.01)**	0.01
Adjusted loss per share	**(0.04)**	(0.03)

Results of Operations

Three-month periods ended January 31, 2022, and 2021

The following table sets forth the major components of the Company's consolidated statements of loss and comprehensive loss for the three months ended January 31, 2022, compared to the corresponding period of 2021:

	2022	2021	**Variance**	Variance
	$	$	**$**	%
Revenue	**4,284,856**	6,324,215	(2,039,359)	(32%)
Cost of goods sold	**2,852,975**	3,959,379	(1,106,404)	(28%)
Gross profit	**1,431,881**	2,364,836	**(932,955)**	(39%)
Gross margin	**33%**	37%	(4%)	N/A
General and administrative expenses	**1,276,078**	882,299	393,779	45%
Selling and distribution expenses	**1,322,970**	1,041,172	281,798	27%
Research and development expenses	**285,261**	231,071	54,190	23%
Net financial expenses	**221,412**	1,077,488	(856,076)	(79%)
Change in fair value of warrants	**(599,560)**	43,252	(642,812)	N/A
Change in fair value of embedded derivatives	**(5,625)**	88,650	(94,275)	N/A
Share-based payments	**121,847**	131,435	(9,588)	(7%)
Net loss	**(1,190,502)**	(1,130,531)	**(59,971)**	(5%)
Basic and diluted loss per share	**(0.03)**	(0.04)	**0.01**	N/A
Adjusted net loss	**(1,498,137)**	(867,194)	**(630,943)**	(73%)
Basic & diluted Adj. loss per share	**(0.04)**	(0.03)	**(0.01)**	N/A

Revenue for the three months ended January 31, 2022, totaled $4,284,856 compared to $6,324,215 for the same period in Fiscal 2021, a decrease of $2,039,359 or 32%. The Company sold 116 security scanning systems compared to 167 during the same period in Fiscal 2021. The decrease is primarily attributed to the lower volume of systems sold, including the product and geography mix of the systems sold, which in the three months ended January 31, 2022, includes a greater number of systems at a lower pricing compared to the same period in Fiscal 2021. This is partially offset by an increase in after sales services and extended warranties revenue.

Gross profit decreased to $1,431,881 or 33% of revenue, compared to $2,364,836 or 37% of revenue, for the same period in Fiscal 2021, a decrease of $932,955 or 4% of revenue. The decrease in gross margin of 4% is primarily related to the lower number of systems sold, including their product and geography mix, a 3.5% increase in the average component cost per scanner, resulting mainly from an increase in freight costs allocated to the inventory sold (due to the impact of COVID-19 on the global supply chain), and the termination of funding from the Canadian Federal Government CEWS stimulus program. These are partially offset by an increase in revenue from after sales services and extended warranties as a percentage of overall revenue, which carry higher margins.

General and administrative expenses increased to $1,276,078 compared to $882,299 for the same period in Fiscal 2021. The increase of $393,779 is primarily due the increased non-recurring professional fees and the termination of funding from the Canadian Federal Government CEWS stimulus program.

Selling and distribution expenses increased to $1,322,970 compared to $1,041,172 for the same period in Fiscal 2021. The increase of $281,798 is primarily due to the termination of funding from the Canadian Federal Government CEWS stimulus program, an increase in sales and field service travel-related expenses, and increased marketing expenditures.

Research and development expenses increased to $285,261 compared to $231,071 for the same period in Fiscal 2021. The increase of $54,190 is primarily due to the termination of funding from the Canadian Federal Government CEWS stimulus program, partially offset by increase in amortization expenses and increased professional fees.

Net financial expenses decreased to $221,412 compared to $1,077,488 for the same period in Fiscal 2021. The decrease of $856,076 is primarily due to a decrease in interest accretion expense resulting from exchanging the convertible debentures for common shares and warrants in the third quarter of Fiscal 2021, and an increase in foreign exchange gain.

Change in fair value of warrants increased to a gain of $599,560 compared to a loss of $43,252 for the same period in Fiscal 2021. The gain increase of $642,812 was mainly driven by the increase in the number of warrants issued from the private placement and shares-for-debt transaction in the third quarter of Fiscal 2021, and the re-measurement of the related warrants liability on January 31, 2022, which resulted in an overall lower liability value, thus creating a gain.

Change in fair value of embedded derivatives increased to a gain of $5,625 compared to a loss of $88,650 for the same period in Fiscal 2021. The $94,275 gain increase is attributable to the cancellation of the majority issued and outstanding convertible debentures with embedded derivative as part of the shares-for-debt transaction in the third quarter of Fiscal 2021, and the relative decrease in fair value of the remaining portion of outstanding embedded derivatives compared to the previous respective reporting period valuation.

Share-based payments expenses decreased to $121,847 compared to a gain $131,435 for the same period in Fiscal 2021. The $9,588 decrease is primarily due to the reduced number of outstanding and unvested stock options, RSUs and DSUs compared to the previous reporting period.

Net loss increased to $1,190,502 compared to $1,130,531 for the same period in Fiscal 2021. The increase in net loss of $59,971 is primarily related to the decrease in gross profit, the increase in general and administrative expenses, selling and distribution expenses and research and development expenses, partially offset by a decrease in net financial expenses, increase in non-cash gain from changes in fair value of embedded derivative, increase in non-cash gain from change in fair value of warrants, and a decrease in share-based payments.

Financial Position

The following table provides an analysis of the Company's consolidated statement of financial position as at January 31, 2022 compared to October 31, 2021:

	January 31, 2022	October 31, 2021	Variance
	$	$	$
Total Assets	**23,233,242**	**21,067,312**	**2,165,930**
Variance mainly due to:			
Cash	**1,218,684**	2,187,172	(968,488)
Trade and other receivables	**2,471,953**	2,616,210	(144,257)
Inventories	**12,312,428**	9,353,460	2,958,968
Intangible assets	**5,175,068**	4,757,874	417,194
Property and equipment	**642,329**	760,345	(118,016)
Total Liabilities	**19,233,856**	**16,267,520**	**2,966,336**
Variance mainly due to:			
Trade payables and accrued liabilities	**8,713,509**	5,661,258	3,052,251
Customer deposits	**251,330**	55,271	196,059
Lease liability	**711,648**	786,551	(74,903)
Deferred revenue	**3,998,342**	3,627,614	370,728
Warrants liability	**1,028,272**	1,627,832	(599,560)
Total Shareholders' Equity (Deficit)	**3,999,386**	**4,799,792**	**(800,406)**
Variance mainly due to:			
Share capital	**43,895,924**	43,780,056	115,868
Stock option reserve	**4,041,157**	4,020,178	20,979
Deficit	**(42,896,938)**	(41,706,436)	(1,190,502)
Cumulative translation adjustment	**(1,040,757)**	(1,294,006)	253,249

Cash decreased to $1,218,684 at January 31, 2022 compared to $2,187,172 at October 31, 2021. The decrease of $968,488 is primarily due to the net increase in cash used in operating activities, together with an increase in cash used in financing and investing activities.

Trade and other receivables decreased to $2,471,953 at January 31, 2022 compared to $2,616,210 at October 31, 2021. The decrease of $144,257 is primarily due to the reduction in overall sales on credit near the end of the first quarter of Fiscal 2022 compared to the fourth quarter of Fiscal 2021.

Inventories increased to $12,312,428 at January 31, 2022 compared to $9,353,460 at October 31, 2021. The increase of $2,958,968 is primarily due to the increase in inventory purchased in the first quarter of Fiscal 2022, as well as the increase in freight costs allocated to inventory due to increased shipping and container costs during the same period.

Intangible assets increased to $5,175,068 at January 31, 2022, compared to $4,757,874 at October 31, 2021. The increase of $417,194 is primarily due to the increase in capitalized costs and decreased amortization costs.

Property and equipment decreased to $642,329 at January 31, 2022 compared to $760,345 at October 31, 2021. The decrease of $118,016 is mainly due to depreciation expenses, partially offset by new additions in Fiscal 2022.

Trade payables and accrued liabilities increased to $8,713,509 at January 31, 2022 compared to $5,661,258 at October 31, 2021. The increase of $3,052,251 is primarily due to increased component purchases near the end of the first quarter of Fiscal 2022 compared to the fourth quarter of Fiscal 2021.

Customer deposits increased to $251,330 at January 31, 2022 compared to $55,271 at October 31, 2021. The increase of $196,059 is primarily due to an increase in advance payments on orders received near the end of the first quarter of Fiscal 2022 compared to the fourth quarter of Fiscal 2021.

Lease liability decreased to $711,648 at January 31, 2022 compared to $786,551 at October 31, 2021. The decrease of $74,903 primarily attributed to the payments made during the first quarter of Fiscal 2022, partially offset by the interest accretion expenses.

Deferred revenue increased to $3,998,342 at January 31, 2022 compared to $3,627,614 at October 31, 2021. The increase of $370,728 is primarily due to selling additional prepaid extended warranties, partially offset by the revenue recognized during the period.

Warrants liability decreased to $1,028,272 at January 31, 2022 compared to $1,627,832 at October 31, 2021. The decrease of $599,560 is primarily attributed to the decrease in the Company's share price which has a decreasing effect on the warrants' fair value.

Share capital increased to $43,895,924 at January 31, 2022 compared to $43,780,056 at October 31, 2021. The increase of $115,868 is primarily due to the redemption of 70,085 fully vested RSUs for the issuance of 70,085 common shares during the first quarter of Fiscal 2022, and the issuance of 34,884 common shares as settlement of interest related to the semi-annual 10% convertible debentures coupon.

Stock option reserve increased to $4,041,157 at January 31, 2022 compared to $4,020,178 at October 31, 2021. The increase of $20,979 is due to the share-based payments expense recorded during the first quarter of Fiscal 2022, partially offset by the redemption of 70,085 fully vested RSUs for 70,085 fully paid common shares from treasury.

Deficit increased to $42,896,938 at January 31, 2022 compared to $41,706,436 at October 31, 2021. The increase in deficit of $1,190,502 is due to the net loss incurred during the first quarter of Fiscal 2022.

Cumulative translation adjustment decreased to a negative position of $1,040,757 at January 31, 2022 compared to a negative position of $1,294,006 at October 31, 2021. The decrease of $253,249 is related to the impact of translating 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, 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 preparation and going concern assumption and Financial outlook sections for additional information.

Cash Flows

A summary of net cash flows by activity for the three months ended January 31, 2022 compared to the corresponding period of Fiscal 2021 is presented below:

	2022	2021	Variance
	$	$	$
Net cash (used in) from operating activities	**(482,349)**	2,203,019	(2,685,368)
Net cash used in investing activities	**(467,606)**	(217,754)	(249,852)
Net cash used in financing activities	**(292,230)**	(354,252)	62,022
Net change in cash	**(1,242,185)**	1,631,013	**(2,873,198)**
Net effect of foreign exchange rate changes on cash	**273,697**	(365,736)	639,433
Cash and restricted cash, beginning of period	**2,187,172**	2,088,825	98,347
Cash, end of period	**1,218,684**	3,354,102	**(2,135,418)**

During the three months ended January 31, 2022, the Company had a balance of net cash used in operating activities of ($482,349), compared to net cash from operating activities of $2,203,019 for the same period in Fiscal 2021. The decrease of $2,685,368 is primarily due to a decreased cash-based operating results for the period and the negative impact from the change in the Company's non-cash working capital compared to the same period in Fiscal 2021.

Net cash used in investing activities during the three months ended January 31, 2022 increased by $249,852 when compared to the same period in Fiscal 2021, primarily resulting from an increase in development activities.

Net cash used in financing activities during the three months ended January 31, 2022, decreased by $62,022 compared to the same period in Fiscal 2021. The decrease in net cash used in financing activities primarily resulted from a decrease in repayment of term-debt, partially offset by a decreased cash from borrowing.

Other Cash Considerations

Bank indebtedness & letters of guarantee

The Company has an available revolving demand facility with a 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, Indian Rupee or U.S. currency which is repayable on demand.

All borrowings under Facility 1 and Facility 2 are secured by the following:

- 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;
- 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;
- 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;
- Insurance provided by Export Development Canada covering losses pertaining to specific accounts receivable, naming the bank as beneficiary;
- 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, 2022, and October 31, 2021 $nil was drawn under Facility 1 and there were letters of guarantee under Facility 2, denominated in Canadian dollars, U.S. dollars and Indian Rupees, totaling $480,033 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 minimum tangible net worth of $1,000,000 to be measured on a quarterly basis. As at January 31, 2022, this covenant was not respected. Nonetheless, as at January 31, 2022 no amounts were drawn under these facilities and therefore this default will not result in any demand for repayment.

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 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:

(i) 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;

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

(iii) the date a refund is received; or

(iv) April 30, 2021.

On April 30, 2021, the Company repaid the outstanding balance under this facility of $165,511.

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:

(i) 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;

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

(iii) the date a refund is received; or

(iv) April 30, 2022.

During October 2021, the Company repaid the outstanding balance under this facility of $168,220.

As at January 31, 2022 the Company has no amounts outstanding under the aforementioned facilities.

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. ("Espresso") which matures on July 30, 2023. 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, 2022, the Company's authorized credit limit is $4,430,000 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, 2022, was $3,650,000, of which an amount of $1,000,000 was originally payable on April 30, 2020, and the remaining balance on June 30, 2023. On September 27, 2021, the agreement was amended, such that it resulted in the extension of the repayment of the $1,000,000 by way of making 12 equal monthly instalments commencing December 31, 2021. The maturity of the remaining balance was also extended until July 30, 2023.

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 would be converted into common shares on a cashless exercise basis. A subsequent amendment resolved to cancel the warrants issued for an exit fee of $20,000 payable upon the full repayment of the $1,000,000 tranche.

The Company must also respect certain covenants and financial ratios associated with the facility, including having maintained a monthly net working capital of no less than $8,000,000 up to September 27, 2021, which was subsequently replaced with a monthly minimum Tangible Net Worth covenant of $1,000,000.

As at January 31, 2022, the minimum Tangible Net Worth covenant was not respected. Nonetheless, on January 31, 2022, Espresso agreed to waive the default thereof, and will not demand repayment in the future as a result of this default.

(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 and short-term debt paid of no less than 1.2:1. As at January 31, 2022, this financial ratio was not respected nor any waiver was obtained.

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) The 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 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 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.

(iv) The Business Development Bank of Canada Highly Affected Sectors Credit Availability Program

On February 17, 2021, the Company entered into a $250,000 loan agreement with the Royal Bank of Canada under the Business Development of Canada's ("BDC") Highly Affected Sectors Credit Availability Program ("HASCAP"), which provides Canadian businesses access to a non-revolving government guaranteed loans, meant to fund operational cash flow needs, in attempts to curtail any adverse effects caused by the COVID-19 global pandemic.

The loan carries the following terms:

(i) 4% fixed interest rate per annum, payable at the end of each month;

(ii) Amortization period of 10 years;

(iii) No principal repayments for 12 months from the date of drawdown; and

(iv) Borrowings made under this agreement are secured by a security guarantee from BDC, guaranteeing 100% of the value of the loan.

On March 15, 2021, the Company borrowed the funds and recorded a liability of $250,000. As at January 31, 2022, the borrowed principal amount remains unchanged.

Convertible debentures

On March 26, 2020, the Company's board of directors authorized a non-brokered private placement to issue convertible debenture units.

Each convertible debenture unit is comprised of:

(i) 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

(ii) 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.

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.

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, 2022, no such approval was required.

Between April 14 and June 5, 2020, the Company issued 3,940 convertible debenture units for total gross proceeds of $3,940,000.

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

On May 13, 2021, the Company concluded a shares-for-debt transaction with several participating convertible debenture holders, whereby the Company exchanged convertible debenture units at their undiscounted cash value, for newly issued units at $0.42 per unit. Each of the newly issued units consists of one common share of the Company and one-half warrant, whereby a full warrant entitles the holder to purchase one common share at a price of $0.55 per share for a period of 3 years from the date of closing.

At closing, 3,640 convertible debenture units (representing an undiscounted cash value of $3,640,000) participated in the shares-for-debt transaction, resulting in their cancellation for a total consideration of 8,666,666 and 4,333,333 newly issued common shares and warrants, respectively. Following the closing of the transaction, 300 convertible debenture units (representing an undiscounted cash value of $300,000) remain outstanding. In executing this transaction, the Company incurred transaction costs of $59,536, which were included in the Company's net financial expenses and share capital at $19,916 and at $39,620, respectively. Furthermore, immediately prior to closing the transaction, the Company settled the interest accrued and unpaid on the participating convertible debenture units, by issuing 239,726 common shares at $0.52 per share.

Based on the provisions of IFRS 9, the exchange of the convertible debenture units embodied the exchange of three financial liability instruments (i.e., convertible debt, warrants and embedded derivatives) for an equity instrument (i.e., common shares) and a financial lability instrument (i.e., warrants).

Accordingly, the Company allocated the $3,640,000 undiscounted cash value of the participating convertible debenture units to each of the newly issued financial instruments based on their respective fair values using the residual method, whereby the fair value of each exchanged convertible debenture unit was first allocated to each of the newly issued warrants based on their fair values, while the remainder, net of transaction costs attributed to it, was allocated to share capital.

The fair value of the warrants, as measured at issuance, was determined using the Black-Scholes option pricing model. As the warrants are denominated in Canadian dollars and the Company's functional currency is US dollars, the warrants are classified as FVTPL and are re-measured at FVTPL at each period-end.

The fair value of the common shares at issuance was determined by applying the residual method and represents the value of the undiscounted cash value of the participating convertible debenture units, net of the fair value of the warrants and transaction costs, which were recorded in share capital.

The convertible debt represents the debt component of the convertible debentures issued, independently of the conversion feature embedded derivative.

During the three months ended January 31, 2022, the Company settled interest related to the semi-annual 10% coupon in the amount of $15,000 by issuing 34,884 common shares from treasury.

The changes to the convertible debt during the three months ended January 31, 2022 are as follows:

	January 31, 2022
	$
Balance as at October 31, 2021	**254,556**
Interest accretion expense	**38,017**
Interest settled by shares issuance	**(15,000)**
Balance as at January 31, 2022	**277,573**
Short-term	**277,573**
Long-term	**-**

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	Adjusted loss per share
	$	$	$	$	$
January 31, 2022	**4,284,856**	**(1,190,502)**	**(0.03)**	**(1,498,137)**	**(0.04)**
October 31, 2021	5,889,970	(1,040,755)	(0.02)	(1,991,892)	(0.04)
July 31, 2021	5,602,091	(1,008,299)	(0.02)	(842,426)	(0.02)
April 30, 2021	5,878,960	(2,885,173)	(0.10)	(2,014,072)	(0.07)
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)

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 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 contractual maturities and carrying amounts of financial liabilities as at January 31, 2022 are summarized in the following table:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	Over 3 years
	$	$	$	$	$
Trade payables and accrued liabilities[4]	**8,493,359**	**8,493,359**	**8,493,359**	**-**	**-**
Obligation under finance lease	**711,648**	**785,793**	**369,886**	**406,654**	**9,253**
Convertible debt	**277,573**	**300,000**	**300,000**	**-**	**-**
Long-term debt[5]	**4,250,182**	**4,550,068**	**1,081,196**	**3,000,356**	**468,516**
	13,732,762	**14,129,220**	**10,244,441**	**3,407,010**	**477,769**

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, long-term debt, convertible debt and warrants and embedded derivatives liabilities are denominated in Canadian dollars and are subject to foreign currency risk.

(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 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.

[4] Net of warranty and other provisions.

[5] Long-term debt also includes the current portion of the long-term debt.

(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, 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 months ended January 31, 2022.

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 contributions received for the three-month periods ended January 31, 2022 and 2021 were recorded as a reduction to the following accounts:

	Three months ended January 31,	
	2022	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[6]

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

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, 2022 and 2021:

	Three months ended January 31,	
	2022	2021
	$	$
Trade payables and accrued liabilities	**13,443**	44,481

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, 2022 and 2021. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties.

	Three months ended January 31,	
	2022	2021
	$	$
Short-term benefits	**163,333**	258,873
Share-based payments	**122,895**	116,163

Outstanding Share Data

On January 31, 2022, the Company had 46,888,103 common shares issued and outstanding, 10,407,516 warrants and 2,520,000 stock options outstanding convertible on a one-for one basis into common shares, as well as 622,153 DSUs and 1,335,932 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.

On December 17, 2021, the Company redeemed 43,333 fully vested RSUs by issuing of 43,333 fully paid common shares from treasury to a former executive, followed by an additional redemption on January 11, 2022 of 26,752 fully vested RSUs by issuing of 26,752 fully paid common shares from treasury to a former advisor.

Additionally, on January 31, 2022, the Company had senior unsecured convertible debentures in the principal amount of $300,000, 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.

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

During the three months ended January 31, 2022, the Company settled interest related to the semi-annual 10% coupon in the amount of $15,000 by issuing 34,884 common shares from treasury.

On March 10, 2022, the Company redeemed 104,998 fully vested RSUs by issuing of 104,998 fully paid common shares from treasury to current and former employees and executives.

On March 29, 2022, the Company completed a brokered private placement of 15,717,434 units at a price of $0.15 per unit for aggregate gross proceeds of $2,357,615. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, which entitles its holder to acquire one common share at a price of $0.20 per share for a period of 3 years. Additionally, in consideration for their services, the Company issued 1,239,060 warrants to the private placement's agents, each of which entitles its holder the option to acquire one common share at a price of $0.15 per share for a period of 36 months.

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, 2022 and 2021:

	Three months ended January 31,	
	2022	2021
	%	%
United States	**54**	73
Europe, Middle East & Africa	**26**	11
Canada	**18**	2
Asia-Pacific	**1**	10
Latin America	**1**	4
	100	100

The following table summarizes non-current assets information by geography at January 31, 2022 and October 31, 2021:

	January 31, 2022	October 31, 2021
	$	$
Canada	**6,373,019**	6,123,401
Malaysia	**31,033**	32,106
United Arab Emirates	**16,633**	22,300
	6,420,685	6,177,807

Basis of preparation and going concern assumption

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities as described in the notes to the interim condensed 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, 2022, the Company had not yet achieved profitable operations and had a net loss of $1,190,502 for the three months ended January 31, 2022, and a negative cash flows from operations of $482,349. As at January 31, 2022, the Company had current assets less current liabilities of $4,528,626 and a deficit of $42,896,938.

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. To the extent that customer orders do not materialize as expected, orders being postponed or cancelled, our revenues, cash flows and financial performance will be adversely impacted.

Additionally, the Company's loan from Espresso Capital Ltd. and its revolving demand credit facility are subject to a minimum tangible net worth calculation, while its non-interest bearing loan from Investissement Quebec is subject to a minimum EBITDA financial ratio. It may be the case, that one or both the covenant and the financial ratio may not be respected during the next 12 months, and consequently any remaining loan balances and amounts due in respect of the revolving demand facility would immediately become due and payable on demand. To the extent that the Company's cash needs exceed its available borrowing capacity, or in the event that it is unable to obtain and maintain sufficient financial support, the Company will experience difficulties in meeting its financial obligations.

To date, the Company has successfully fulfilled customer orders. However, there have been infrequent delays in fulfilling some of the orders, most notably due the global component shortages (electronic and other) and the increasing freight forwarding lead times. To the extent that the Company's suppliers continue to delay fulfillment of orders, do not carry sufficient inventory of components on-hand, close their facilities for an extended duration, or if securing containers with freight forwarders becomes increasingly more difficult, the Company is likely to present a larger volume of delayed deliveries to customers, which will result in an adverse impact on financial performance and cash flow.

Moreover, the Company is entering negotiations with few of its suppliers for the settlement of trade payables that are already in arrears. Failure to reach a successful conclusion will also result in an adverse impact on the Company's financial performance and cash flow.

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.

As this uncertainty may result in the Company experiencing difficulties in meeting its obligations, management has been continuing to undertake the following actions:

- Raised $4,275,012 and $2,357,615 of financing through the sale of common shares and warrants in May 2021 and March 2022 respectively.
- Extended payment terms with Espresso Capital Ltd.
- Obtained funding and relief in connection with COVID-19 government assistance programs.

The Company continues to update its plans with respect to its cash flow and financing. The Company believes that its past ability to generate and fulfill customer orders, the cost reduction initiatives currently in place and successful funding initiatives, have 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 continue to achieve such results. In the absence of attaining sufficient revenues and/or sufficient operating cost reductions to achieve positive cash flow objectives, obtain additional financing and continue to receive the support of its suppliers and employees, there is a 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, 2022, 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, 2021, 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, there have been delays resulting from increased component supplier and freight forwarding lead times. Measures have been taken to mitigate the risks of insufficient components on hand to fulfill existing orders. To the extent that our suppliers delay our orders, do not have sufficient components to sell in a timely manner, 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.

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 Interim 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 Interim 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.