



Pioneering Technology Corporation

**MANAGEMENT'S DISCUSSION AND ANALYSIS
THIRD QUARTER 2017**

August 29, 2017

This Management Discussion and Analysis (“MD&A”) is prepared as at August 29, 2017 and should be read in conjunction with the unaudited financial statements and related notes of Pioneering Technology Corp. (the “Company”) for three months ended June 30, 2017 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”). All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to the Company’s future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements.

International Financial Reporting Standards (“IFRS”)

All amounts for 2017, 2016, 2015 and 2014 are reported under International Financial Reporting Standards (IFRS). All dollar amounts referred to in this MD&A are expressed in Canadian dollars unless otherwise indicated.

For further information, please refer to the Company’s audited financial statements and notes for the year ended September 30, 2016. Additional information relevant to the Company’s activities can be found on the Company’s profile on SEDAR at www.sedar.com.

Advisory – Certain information in the MD&A is forward-looking and is subject to important risks and uncertainties. The results of events predicted in this information may differ from actual results or events. Forward-looking statements are often, but not always, identified by the use of words such as “anticipate”, “plan”, “estimate”, “expect”, “may”, “project”, “predict”, “potential” “could”, “might”, “should” and other similar expressions. The Company believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of the MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required pursuant to applicable security laws.

Non-IFRS Measures

In addition to disclosing results in accordance with IFRS as issued by the IASB, the Corporation also provides supplementary non-IFRS measures as a method of evaluating the Corporation’s performance. Management uses Adjusted EBITDA as a measure of enterprise-wide performance. Adjusted EBITDA is defined as earnings before interest income, taxes, depreciation and amortization, impairment losses, stock-based compensation, restructuring costs included in general and administration expense and other non-recurring gains or losses including transaction costs related to acquisition. Management believes Adjusted EBITDA is a useful measure that facilitates period-to-period operating comparisons. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

Corporate Overview

Pioneering Technology Corporation (“Pioneering” or the “Company”) is an “Energy Smart” technology and consumer goods company and is North America’s leader in cooking fire prevention technologies. The Company is committed to improving the lives of its end customers by engineering solutions that make appliances safer, and more energy efficient. The Company’s core business is focused on cooking fire prevention but the Company’s product innovations also help end users save energy and deliver a return on investment. All of Pioneering’s intellectual property is protected by patents, patents pending and trademarks. Pioneering’s business model is to market/sell its proprietary technologies and/or products directly to end customers, through third party distribution channel partnerships or licensing/supplying technologies, product components or end products to original equipment manufacturers (“OEMs”).

The Problem:

Cooking fires are by far the number one cause of household fires globally. In the United States alone cooking is the cause of 48% of all reported home fires, 45% of home fire injuries and 21% of home fire deaths. In the US that equates to 172,000 cooking related structure fires, 570 deaths, 5,430 injuries and \$1.1 billion in direct property damage annually. Indirect costs are in excess of \$7 billion. (*Source: National Fire Protection Association www.nfpa.org*). And these are only the cooking fires that are reported to the fire service. Of the 172,000 cooking fires reported to the fire service each year in the U.S. there are on average an additional 4.7 million cooking fires that go unreported resulting in 102,000 additional injuries or 19X the number of injuries that get reported to the fire service (*Source: Consumer Product Safety Commission*). The reported cooking fires in the US has increased as a percentage of overall household fires from 20% in 1980 to 48% today. This is a significant problem in the U.S. and around the world.

The Solutions:

Pioneering’s product solutions help reduce cooking fires and false alarms by helping prevent these fires from starting, reduce energy consumption and deliver a proven return on investment. The Company has worked hard over the years to create awareness for this significant societal problem and has developed viable effective technologies and product solutions to help address it. With the help of the fire service, safety/public health experts/professionals, government, insurance companies and now the private sector, the Company has established this new product category for home cooking fire prevention. The Company’s two current flagship products Safe-T-element® and SmartBurner™ utilize patented “temperature limiting control™” (TLC) technology which was recently recognized by the fire prevention community as the only technology able to help prevent cooking fires. The Company has not only created what is a potential multi-billion-dollar category but currently has the only effective products available in the category. These product/technology solutions at present include:

The **Safe-T-element® (STE)** cooking system was engineered to help prevent stovetop cooking fires on electric coiled stoves before they start, while also saving energy. The product requires a professional installation and is available as both an aftermarket installation or pre-equipped on new ranges and is sold to multi-residential channels and institutions throughout North America. The STE is well established, to date having been installed on over 110,000 stovetops throughout North America and around the world. There has never been a stovetop cooking fire reported on an STE equipped stovetop.

The **Safe-T-sensor™ (STS)** technology for microwave ovens is the only technology solution of its kind to help prevent microwave fires and false alarms. This product is most relevant in high volume environments where a smoke alarm related evacuation results in a dangerous situation, a significant cost and or a loss of productivity. The STS is currently being sold to university, seniors, health care and office channels and delivers a significant proven return on investment.

Smart Burner™ (SB) is an easy to install version of the STE that delivers all the benefits of the STE but doesn't require a professional hardwired installation. The SB has enabled this life-saving and property protection "temperature limiting control" technology to be available to the public for the first time. And while it is enjoying success at retail, it is having great success in those multi-residential channels where the cost of installing STE was a barrier. Since its introduction in early 2015 the SB has grown exponentially and market penetration continues to increase.

RangeMinder™ (RM) is a new easy to install consumer electronic product for gas and electric smooth top ranges, engineered to help prevent unattended cooking, the number one cause of these cooking fires. The RangeMinder was commercialized in 2015 and is currently only available for sale on line via Pioneering's ecommerce site. While the Company promotes the RM in its existing channels, this is primarily a consumer product and requires significant marketing support.

New Products - Pioneering is now focused on new product opportunities to help broaden its offering in the fire prevention space, expand to overseas markets and bring relevant new product solutions to its new channel partners that will help drive incremental revenue and growth. Pioneering's new partnership with Innohome OY is just one example to date in this respect.

Overall Performance

For the three months ended June 30, 2017 the Company enjoyed its strongest quarter ever in terms of revenue and net income. For the nine months ended June 30th 2017 the Company is ahead of its forecasted plan of 50% year over year growth. (see Review of Operations below). Highlights for Q3 and the nine months ended June 30th include:

- Revenue increased 58% in Q3 versus the same period year-ago and increased 14% vs Q2 2017.
- Revenue is up approximately 71% for the nine-months year to date.
- Net Income for the quarter is up 270% versus the same quarter year-ago.
- Income from Operations is up 81% for Q3 2017 vs Q3 2016 and nine months' year to date is up 151% versus the same period in 2016.
- Adjusted EBITDA is up 60% nine months YTD vs the same period in 2016.
- The Company completed a \$6.6 million equity financing.

Pioneering has delivered positive Adjusted Earnings before Interest, Taxes, Depreciation, and Amortization for fourteen consecutive quarters and with its recent equity financing is now well positioned to drive continued growth. The Company's 2017 forecast of 50% year over year growth is based on the strength of the growing interest in existing products and world class facility distributor/channel relationships. New products and recently announced industry regulatory changes are expected to help to drive continued growth going forward.

Q3 2017 Highlights

Pioneering Completes \$6.6 Million Bought Deal Private Placement - In March and April of 2017 the Company announced a private placement of 5,995,631 Common Shares and 2,997,815 Warrants for gross proceeds of \$6,595,194.10.

Pioneering's SmartBurner Disrupts Industry - First to Meet New Industry Standard – Pioneering announced that the new UL858 industry standard for electric coiled cooktops and ranges which now includes a new cooking fire prevention requirement, has been published. Pioneering's SmartBurner has passed this new testing requirement and is now listed as meeting the new industry standard for sale in the United States. As of April 2019, electric coil ranges that don't meet the new standard can't be listed for sale. SmartBurner is believed to be the only solution to meet the new industry standard. This is a significant milestone and has set a new benchmark for household cooking fire safety.

Hotel/Motel Channel Expansion - During the period, Pioneering announced that another major suite style hotel chain in North America will equip approximately 5,700 hotel rooms with Pioneering's SmartBurner product. The sale was led by one of Pioneering's new distribution partners. This new order is further validation of the successful execution of the Company's new distributor strategy and its expansion into this new, large and relevant channel. The Company plans to announce further hotel opportunities soon.

Analyst Coverage Initiated – Echelon Private Wealth initiated research coverage on Pioneering.

Finalized Distribution Partnership with Innohome – In June the Company announced that it had finalized its definitive partnership agreement with Innohome Oy of Finland. Based on this partnership Pioneering intends to introduce a new product to the North American marketplace that will include Innohome's award winning Stove Guard heat sensor technology. This new product is a strategic fit for Pioneering complementing its current family of cooking fire prevention solutions and will be available as an aftermarket application for electric smooth top ranges through Pioneering's existing distribution network and eventually at retail. Innohome's intelligent heat sensor technology is engineered to alert the user to imminent danger via a low frequency alarm and if the stovetop remains unattended shut the stove off to help prevent auto-ignition from occurring. The Company is planning an initial trial installation of the technology at a major U.S. university in Q4 2017 and is currently building marketing/sales plans for the product with the objective of generating revenue in North America in fiscal 2018.

Repayment of Roynat Loan – Strong balance sheet and debt free -- During the quarter the company repaid its outstanding long-term loan with Roynat Capital Inc., using a portion of the funds raised in the recently completed private placement financing. The Company paid off the entire \$1.75 million long-term debt owed. The Company determined that paying off the loan in its entirety generated interest cost savings. The Company is now debt free with the only remaining debt being trade payables and the derivative liability (a non-cash liability) which will be eliminated with the expiry/exercise of the outstanding warrants in September 2017. Additionally, Pioneering continues to have access to a low interest LOC facility with TD Bank if and when required.

Subsequent Events

Pioneering has hired James McEwen as Chief Financial Officer and Michael Quast as Vice President Marketing and Communications.

Mr. McEwen is a strategic finance and operations leader with over 15 years' experience in corporate finance, treasury, manufacturing and supply chain management. James received his Certified Public Accountant designation from the State of Colorado and has a Bachelor of Commerce degree from the University of Guelph and an MBA from the University of Toronto's Rotman School of Management. James has held senior leadership positions with BASF Canada and CGC Inc. Most recently James was an owner/operator of a manufacturing business in the commercial and residential construction industry.

Mr. Quast is a strategic, business-focused communications and marketing leader with more than 25 years of experience in the areas of strategic branding, marketing, communications, public relations and award-winning content generation. Michael was instrumental in creating one of North America's most trusted and iconic brands in contractor Mike Holmes ("Holmes On Homes"). Michael is a passionate advocate for homeowner safety and education. He has extensive experience in the new homebuilding, renovation and home inspection industries. He has a proven track record of building successful partnerships with business, government and not-for-profit organizations. Michael currently serves as a Director with Habitat for Humanity, Halton-Mississauga. Michael has a B.A. (Hons) from Queen's University and a M.A. from the University of Manchester, UK.

Review of Operations

Three Months ended June 30, 2017

Revenue for the three-month period ended June 30th, 2017 was \$2,567,510 up approximately 58% versus \$1,623,759 for the same period year-ago. The revenue growth was driven by growing awareness of the SmartBurner™ product combined with sales from the Safe-T-element™ and Safe-T-sensor™ products. SmartBurner™ sales continued to grow behind increased awareness of the product driven by marketing and increasing distributor exposure of the product to end users. Gross profit for the period was up approximately 42% to \$1,387,166 as compared to gross profit of \$980,005 during the same period ended June 30th, 2016. Gross Profit margin continued to be strong at approximately 54%, a decrease from the same period year-ago of 60% due primarily to foreign exchange fluctuation and increased sales during the period in Canada at retail.

Operating expenses (excluding foreign exchange gain/loss) were up approximately 44% in Q3 2017 to \$1,037,924 versus \$719,028 in Q3 2016. Operating expenses as a percentage of revenue declined to 40% in Q3 2017 from 44% in Q3 2016. The increase in expenses was driven by increases in Administration (professional fees), Sales and Marketing (addition of new strategic sales resources) and a small increase in R&D. With the recent influx of additional cash resources, the Company has advanced its growth plan and invested in human resources, IT, sales and marketing and R&D to accelerate the Company's growth and capitalize on the Company's first mover advantage in preparing for the impending industry standard change.

Income from Operations for the period was \$563,768 up 82% vs \$310,573 in the same period year-ago. As a percentage of revenue, Income from Operations was 22% up from 19% in the same period year-ago. Basic earnings per share based on Income from Operations was \$0.01

Comprehensive Net Income is reported as a profit of \$1,163,675 (\$0.03 per share) due to strong quarterly business performance plus a favourable adjustment in the fair value movement derivative liability of \$272,683 related to warrants (a non-cash item) and a positive income tax recovery amount of \$380,000. At a business operations level, the Company continued to be profitable in Q3 and is cash flow positive.

Adjusted EBITDA was \$374,512 down from \$499,014 in the same period year-ago. The decline was driven primarily by an increase in sales and marketing spending required to build awareness for the cooking fire problem and to accelerate growth with Pioneering's distribution partners and an increase in administration costs resulting from additional professional fees. Over nine-months YTD the Company's Adjusted EBITDA continues to significantly exceed Adjusted EBITDA for the same period year-ago.

Nine Months ended June 30, 2017

Revenue for the nine-month period ended June 30, 2017 was \$7,204,028 up approximately 71% versus \$4,216,964 for the same period year-ago. Gross profit for the nine-months ended June 30, 2017 was \$4,135,112 up approximately 60% as compared to the same period in 2016 of \$2,582,996. Gross profit margin continues to be strong at 57.4% but is down slightly vs the same period year ago, of 61.3% due to a combination of foreign exchange fluctuation, more sales via the distributor network vs direct and increasing retail sales in Canada.

Operating expenses for the nine-month period (excluding foreign exchange gain/loss) were \$2,797,389 versus \$1,610,644 in the same period a year ago, an increase of approximately 74% as the Company invested in Administration, Sales, Marketing and R&D to help position the business for continued growth in the remainder of 2017 and beyond. Operating expenses as a percentage of revenue nine months YTD 2017 maintained at approximately 39% vs 38% nine months YTD in 2016. Now that the Company is well financed it intends to invest in marketing support for its B2B distribution/supply partners in the US, invest modestly in new product development and expand its existing products into new channels/markets.

Income from Operations for the nine-month period was \$1,844,903 up approximately 151% versus the same period year-ago of \$735,603. As a percentage of revenue, Income from Operations YTD is approximately 26%, up from 18% for the same period one year-ago. Basic earnings per share based on Income from Operations was \$0.04

Comprehensive Net Income is reported as a profit of \$57,435. The positive performance of the company in Q3 and throughout 2017, combined with the adjustment in the fair value movement derivative liability in Q3 and the income tax recovery of \$705,000 for the nine-months year to date has more than offset the negative (non-cash) fair value movement derivative liability that was reported in the previous quarters and has resulted in a positive Comprehensive Income for the nine months YTD.

Adjusted EBITDA for the nine-months ended June 30, 2017 is \$1,709,706 up approximately 60% versus the same period year-ago of \$1,071,154.

Non-Cash items and impact on Net Income (Explanation of Outstanding Warrants as a Derivative Liability)

Under IFRS Standards the current outstanding warrants from the Private Placement completed in March 2016 are considered to be a derivative because:

- Their value may change in response to an underlying change in a variable;
- They require no initial investment, or one that may be smaller than would be required for a contract with similar response to changes in market factors;
- They will be settled at a future date.

The outstanding warrants meet the derivative definition above with a key determinant being that the underlying variable that changed is the Company's functional currency change from CDN \$ to USD.

Under IFRS Standards the outstanding warrants are considered to be a liability because:

- They are viewed as a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

The outstanding warrants meet the liability definition above because the warrants can be exercised at \$0.25 CDN and the ultimate value to be received by the company in USD can vary.

In essence, the difference between the current share price and the warrant exercise price of \$0.25 is considered to be value conveyed from the Company (one entity) to warrant holders (the other entity) and therefore must be accounted for even though it has no cash value impact.

Non-Cash Impact of Derivative Liability on Net Income in Q3 2017

As a result of the derivative liability classification of the outstanding warrants, Net income/loss for the quarter ended June 30, 2017 was \$1,163,675 which was driven by the re-evaluation in Q3 of the non-cash impact of accounting for the fair value movement - derivative liability of the outstanding warrants from the private placement completed in March 2016, in conjunction with the net deferred income tax recovery also accounted for in the quarter.

The fair value movement - derivative liability had a positive non-cash impact on the statement of income of \$272,683. This positive non-cash impact was the result of the Company's re-evaluation of the derivative liability which was previously disclosed in the FY 2016 FS and MDA. The impact of this non-cash derivative liability will be eliminated once all warrants from the March 2016 private placement are exercised or expire in September 2017. The Company believes substantially all of the warrants will be exercised because at August 29, 2017 the share price was trading at approximately 4.5 times the warrant exercise price. Once the remaining warrants are exercised it will eliminate the need to account for the fair value movement of these warrants and will also result in an increase in cash and equity of the Company. However, given the Company's recently completed "Bought Deal – Private Placement" announced on March 22, 2017 (see Q3 Highlights section above) the company will have to account for a derivative liability associated with the warrants that are part of this new Private Placement. Depending on the share price at the end of each quarter, after the close of this deal, and during the time the new warrants (exercise price of \$1.80) are outstanding there may be a derivative liability that will impact both Net Income and the Balance sheet in future quarters as the company will be required to account for these warrants at fair value.

Q3 2017 Net Income was further enhanced by a positive income tax recovery of \$380,000. Due to the positive business performance in 2015 and 2016 and the projected positive business performance in 2017 and 2018 the Company is now able to use its tax loss carryforwards. As a result, the Company has recognized \$705,000 of net deferred tax assets for the nine-month period as at June 30, 2017 (nil – June 30, 2016). The expectation is that this deferred tax asset will be used to offset future income tax expense, which effectively reduces the anticipated cash requirement on income tax expense in future periods.

Based on the current derivative liability mentioned above and the Company's completion of its "Bought Deal–Private Placement" announced of March 22, 2017 (see Q3 highlights section above), the Company believes there may be future **non-cash** volatility in Net Income and on its Balance sheet due to the need to be compliant with IFRS and account for these **non-cash** related items. As a result, the Company believes "Income before other Items" and "Adj. EBITDA" are more relevant measures of Company performance and therefore the Company will continue to report on these measures quarterly.

Selected Financial Information

These financial highlights have been prepared in accordance with IFRS, except as where indicated. For further information, please refer to the audited financial statements for the twelve months ended September 30, 2016 and 2015. The following table shows selected financial information for the three months and nine months ended June 30, 2017 and 2016.

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Revenue	2,567,510	1,623,759	7,204,028	4,216,964
Income from Operations	563,768	310,573	1,844,903	735,603
Income from Operations per share	0.01	0.01	0.04	0.03
Total Comprehensive Income (loss)†	1,163,675	240,601	57,435	516,970
Total Comprehensive Income per share†	0.02	0.01	0.00	0.02
Adjusted EBITDA#	374,512	499,014	1,709,706	1,071,154
Total assets	13,565,770	3,363,537	13,565,770	3,363,537
Financial liabilities†	2,647,396	2,133,241	2,647,396	2,133,241

† Includes Non-cash (fair value movement/derivative liability of warrants) – see below for further explanation.

Adjusted EBITDA is a non-GAAP measure. See "Non-GAAP Measures" below.

Income Tax Recovery - Deferral

Due to the positive business performance in 2015, 2016, Q1, Q2 and Q3 2017 and projected growth in 2018 the Company is now able to utilize its tax loss carryforwards. As a result, the Company recognized \$275,000 of net deferred tax assets as at December 31, 2016 (nil – December 31, 2015). The Company recognized \$50,000 of net deferred tax assets as at March 31, 2017 (nil – March 31, 2016). The Company recognized \$380,000 as at June 30, 2017 (nil June 30, 2016). Nine-months year to date the company has recognized \$705,000 of net deferred tax assets (nil – nine-months year to date 2016). The expectation is that this tax deferred tax asset will be utilized to offset future income taxes expense, which effectively reduces the anticipated cash requirement on income tax expense in future periods.

Adjusted Earnings before Interest, Taxes, Depreciation, and Amortization

The Company has provided a reconciliation of Adjusted Earnings before Interest, Taxes, Depreciation, and Amortization to IFRS income in the following table. Adjusted Earnings before Interest, Taxes, Depreciation and Amortization is defined as earnings before interest income, taxes, depreciation and amortization, stock based compensation, restructuring costs, impairment charges, fair value movement – derivative liability and other non-recurring gains and losses. Management believes that adjusted EBITDA is a useful measure that facilitates period to period operating comparisons.

	Three Months Ended June 30 2017	Three Months Ended June 30 2016	Nine Months Ended June 30, 2017	Nine Months Ended June 30, 2016
Income (Loss) and Comp Income (Loss)	1,163,675	240,601	57,435	516,970
Amortization of tangible assets	8,328	7,378	21,317	22,134
Amortization of intangible assets	1,118	1,864	3,353	5,592
Stock based compensation	0	179,553	179,553	186,853
Interest and guarantee fee	54,439	69,972	160,456	218,682
Fair value movement Derivative Liability	(272,683)	0	2,333,675	0
Income Tax Recovery	(380,000)	0	(705,000)	0
Unrealized foreign exchange	(200,364)	(354)	(341,082)	120,923
Adjusted EBITDA	374,512	499,014	1,709,706	1,071,154

Selected Quarterly Results

For the Quarters Ended (\$'000's)											
	Fiscal 2017			Fiscal 2016				Fiscal 2015			
	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Revenues	2,567.5	2,255.8	2,380.8	2,427.3	1,623.8	1,256.7	1,336.5	1,182.8	1,207.5	809.6	1,193.6
Gross Profit	1,387.2	1,296.7	1,451.2	1,621.0	1,080.0	822.7	906.4	997.4	698.3	548.2	692.8
Expenses*	823.4	547.8	919.0	1,329.9	769.4	647.6	646.1	811.5	497.5	536.1	575.3
Interest & other Expenses	52.8	52.9	NA	(581.0)	70.0	90.0	69.0	142.6	121.0	67.0	36.3
Income before other Items (loss)	891.0	748.8	532.3	872.1	240.6	85.1	191.3	35.7	78.9	-55.0	81.4
Income before other Items (loss) per share	0.02	0.02	0.02	0.03	0.01	0.00	0.01	0.00	0.00	0.00	0.00

Change in Accounting policies

During the fourth quarter of fiscal 2016, the Company changed its functional currency to U.S. dollars given the increasing prevalence of U.S. dollar-denominated activities of the Company over time. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from September 6, 2016. The Company continued this policy in Q1, Q2 and Q3 2017 and the exchange rate used to translate the balance sheet to reflect the change in functional currency is \$1 US = \$1.3427 CDN.

As a result of the change, it resulted in a change in the accounting for the warrants that are outstanding as at September 6, 2016. The warrants have been reclassified from equity to liability prospectively because it did not meet the requirements of being presented as equity on the statement of financial position. Upon the change in functional currency the warrant liability is recognized at fair value and fair value is subsequently updated at each reporting date until the warrants have been exercised or expired. The difference between the initial amount recognized within equity and the fair value of the warrant liability at the date of reclassification has been recorded within equity. The fair value movement in Q3 2017 was recognized as "Fair value movement – derivative liability" in the statement of income and comprehensive income which, as previously indicated in the FY 2016 MDA, created non-cash volatility on the Company's net income. The settlement mechanism of the warrant has not changed. The reclassification of the warrants from equity to liability has no impact to the Canadian dollar proceeds that the Company will receive from the exercise of these warrants.

Liquidity, Capital Management

As of June 30, 2017, the Company had cash of \$40,228 and Short-term investments of \$6,813,904 as compared to cash of \$1,209,491 and short-term investments of \$27,033 in the same period year ago. The Company plans grow awareness and distribution for its new products which will help to generate incremental operating cash flow going forward. Operationally, the Company manages its liquidity by continuously monitoring forecasted and actual gross profit, expenses, and cash flows from operations.

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the growth and development of its operations and brings new products to market and to exploit market opportunities and drive revenue growth. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company will continue to assess new opportunities and seek to acquire an interest in growth situations if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

The Company has historically relied on equity and debt financing to raise capital. On March 22, 2016, the Company completed a non-brokered private equity financing that raised gross proceeds of \$1,500,000. The Company also completed a loan agreement and received \$1,750,000 based on the long-term financing agreement reached with a third-party lender. This loan was repaid in its entirety in Q3 2017. On February 27, the Company announced a "Bought Deal – Private Placement" for aggregate gross proceeds of \$6 million which will further enhance the Company's liquidity and capital position.

The Company's working capital ratio including the derivative liability due to the change in accounting policy is 4.4. Excluding the non-cash, derivative liability the Company's working capital ratio is 13.4.

The Company expects this derivative liability to become equity in 2017 when the warrants are exercised. The Company expects the warrants to be exercised given the stock price as at August 29, 2017 is approximately 4.5x the value of the exercise price of \$0.25 of the warrants. When the remaining warrants are exercised, the derivative liability will become equity and the company will enjoy the benefit of increased shareholder equity. This will significantly strengthen the Company's balance sheet and provide further liquidity and funds to drive future growth.

Management reviews its approach to capital management on an ongoing basis and believes that this approach, given the relative size of the Company and the current state of the development stage of its products, is reasonable.

There were no changes in the Company's approach to capital management during the year. The Company is subject to externally imposed capital requirements as it relates to its loan facility.

Disclosure of Outstanding Share Information

The following sets forth information concerning the issued securities of the Company as at August 29, 2017.

Description	Number
Common Shares:	
Common Shares Outstanding as at August 29 2017	53,246,900
Warrants:	
Warrants Outstanding as at August 29, 2017	4,951,702
Stock Options:	
Stock Options Outstanding as at August 29, 2017	4,024,000

Contingencies and Commitments

As at August 29, 2017, management is not aware of any liabilities, contingent or otherwise, that have not been recorded in financial statements of the Company as at June 30, 2017. In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. During the year, a former supplier has commenced an action against the Company relating to a contractual dispute. The Company intends to vigorously defend itself against such claim. As at the end of Q3, no provision has been recorded in connection with this claim.

Related Party Transactions

Related party transactions and balances are as follows:

	Nine Months Ended	Nine Months Ended	Three Months Ended	Three Months Ended
Type of payment	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Key Management Salaries	447,583	216,000	138,583	72,000
Directors Fees	2,750	5,250	1,250	4,500
Total Payments	594,333	426,069	139,833	108,433

The amounts due to related parties are included in trade payables and accrued liabilities.

The Company defines Key Management as its CEO and COO

Related parties directors

Interest 84,186

Short terms loans were paid back in the third quarter of 2016 and the Company no longer intends to use those facilities. The Company repaid a note payable of \$400,000 from McAllister Holdings Ltd. On March 29th, 2016. This note borne an interest at 25% per annum.

The Company paid interest on the short term loan of \$NIL for the nine months ended June 30, 2017 (2016 \$73,840).

Stock options held by related parties and Board of Directors under the stock option plan to purchase ordinary shares have the following expiry dates and exercise prices:

Issuance Date	Expiry Date	Exercise Price	February 28 2017
		\$	Number Outstanding
September 2009	September 2019	\$0.15	755,000
April 2016	April 2021	\$0.22	1,110,000
			1,865,000

Management's Responsibility for Financial Information

The financial statements of the Company and all the information in this report are the responsibility of management and the Board of Directors.

The financial statements have been prepared by management in accordance with IFRS. Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements. Management believes that these financial statements fairly present the Company's financial position, results of operations and cash flows.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The board carries out this responsibility principally through the Audit Committee which consists of three directors appointed by the Board.

The Audit Committee meets periodically with management as well as with the independent external auditors to discuss auditing matters and financial reporting issues. The Audit Committee reviews the financial statements and external auditors' report thereon and reports its findings to the board for consideration when the Board approves the financial statements for issuance to the Company's shareholders. The Committee also considers, for review by the Board and approval by shareholders, the engagement or reappointment of the external auditors. The external auditors have full and free access to the Audit Committee.

Risks and Uncertainties

Readers should consider the risks and other information included in the Company's audited financial statements and related notes for the year ended September 30, 2016 and 2015.

As with most businesses, the Company is subject to a number of market place, industry and economic related business risks, which could have some material impact on its' operating results. The risks include:

Key Personnel

The Company is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its business plan. If the Company were to experience a substantial turnover in its' leadership or other key employees, business results from operations and financial condition could be materially adversely affected.

Competition

The Company is bringing to market new technologies. As with any new technology, existing competitor responses to the technology could materially impact the success and ability of the Company to commercialize the products. At present the Company doesn't have any direct competition to its products but that could change over time.

Credit Risk

Although the Company has historically incurred a very low bad debt expense, a change in economic climate or in the specific financial health of one or more of its' customers could result in a material impact.

Foreign Exchange

The Company is exposed to foreign currency risk as a material portion of its transacting is carried out in US dollars ("USD"). The Company maintains USD denominated bank accounts but, up to September 6, 2016, had assessed its functional currency as the Canadian dollar. Up until the change in functional currency to USD on Sept 6, 2016, unfavorable changes in the exchange rate of the USD may have resulted in a significant effect on the foreign exchange gain or loss in the statement of income and comprehensive income. At present the Company has no plans in place to hedge its foreign exchange exposures. As the Company purchases, substantially of all inventories in USD and a greater than 80% of its sales are in USD, the Company realizes the benefit of a partial natural hedge against this risk. Readers are referred to the

risk and uncertainty disclosure discussed in the Company's public filings which are available in electronic form at www.sedar.com.

Cautionary Statement on Forward-Looking Information

The information in the MD&A contains management's assessment of the Company's future plans and may contain forward-looking information under applicable securities laws. The forward-looking information includes estimates, forecasts and statements as to management's expectations with respect to, among other things, future trends, demand and market outlook for products and the financial results of the Company.

This forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking information. Factors that may cause actual results to vary materially include, but are not limited to, fluctuations in product prices, currency fluctuations, unanticipated operational or technical difficulties, changes in laws or regulations, changes in general economic conditions or conditions in the financial markets and the inability to raise additional financing. Readers are cautioned not to place undue reliance on this forward looking information, and to consider this forward-looking information in light of these factors and the risks and uncertainties set out under the heading "Risks and Uncertainties". The Company does not assume the obligation to revise or update this forward-looking information after the date of this document or to revise them to reflect the occurrence of future unanticipated events, except as may be required under applicable securities law.