



**Pioneering Technology Corp.**

**Unaudited Condensed Interim Financial Statements**

For the three and nine months ended June 30, 2018 and 2017

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Pioneering Technology Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and reflect management's best estimates and judgment based on information currently available. The Company's independent auditor has not performed a review of these interim condensed financial statements.

*"Kevin Callahan"*

*"Richard Adair"*

**Kevin Callahan**  
**CEO**

**Richard Adair**  
**Chair – Audit Committee**

August 29, 2018

**Pioneering Technology Corp.**

Condensed Interim Statements of Financial Position

As at June 30, 2018

(Unaudited)

Expressed in Canadian Dollars

	Note	June 30, 2018	September 30, 2017
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		300,181	7,517,191
Short-term investments		5,465,452	-
Trade and other receivable	13	379,477	2,436,825
Inventories	6	3,314,438	1,256,648
Prepaid expenses and deposits		362,020	291,601
		<b>9,821,568</b>	<b>11,502,265</b>
Property and equipment	8	243,429	56,453
Patents	9	22,519	10,431
Deferred tax asset	12	1,617,315	1,617,315
<b>TOTAL ASSETS</b>		<b>11,704,831</b>	<b>13,186,464</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	14	416,663	931,584
Derivative liability		4,713	674,162
<b>TOTAL LIABILITIES</b>		<b>421,376</b>	<b>1,605,746</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common share capital	10(a)	17,987,542	17,838,557
Preferred shares	10(a)	1	1
Contributed surplus	10(c)	3,378,698	2,522,265
Accumulated other comprehensive (loss) income	3	(173,450)	(595,357)
Deficit		(9,909,336)	(8,184,748)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>11,283,455</b>	<b>11,580,718</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>11,704,831</b>	<b>13,186,464</b>

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Approved by:

"Kevin Callahan"

"Richard Adair"

Kevin Callahan

Director

Richard Adair

Director

**Pioneering Technology Corp.**

Condensed Interim Statements of (Loss) Income and Comprehensive (Loss) Income  
For the three and nine months ended June 30, 2018 and 2017  
(Unaudited)

*Expressed in Canadian Dollars*

	Note	Nine Months Ended		Three Months Ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		\$	\$	\$	\$
<b>REVENUE</b>		<b>3,968,863</b>	7,204,028	<b>844,706</b>	2,567,510
<b>COST OF GOODS SOLD</b>		<b>1,897,414</b>	3,068,916	<b>416,904</b>	1,180,344
<b>GROSS PROFIT</b>		<b>2,071,449</b>	4,135,112	<b>427,802</b>	1,387,166
<b>EXPENSES</b>					
Sales and marketing	10(c)	1,804,590	1,007,520	597,315	364,235
Administration	10(c)	1,825,042	1,361,005	574,440	494,780
Warehousing, distribution and warranty costs		216,774	172,624	77,882	69,880
Foreign exchange loss (gain)		295,985	(507,180)	143,999	(214,526)
Research and development costs	10(c)	322,994	231,570	124,521	99,583
Depreciation of property and equipment	8	33,933	21,317	23,223	8,328
Amortization of patents	9	2,347	3,353	782	1,118
<b>TOTAL EXPENSES</b>		<b>4,501,665</b>	2,290,209	<b>1,542,162</b>	823,398
<b>INCOME (LOSS) BEFORE OTHER EXPENSE, INTEREST AND GUARANTEE FEE, FAIR VALUE MOVEMENT - DERIVATIVE LIABILITIES AND INCOME TAXES</b>		<b>(2,430,216)</b>	1,844,903	<b>(1,114,360)</b>	563,768
Other expense		54,070	1,663	14,868	1,663
Interest and guarantee fee		(17,890)	(160,456)	(6,253)	(54,439)
Fair value movement - derivative liability		669,449	(2,333,675)	544	272,683
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		<b>(1,724,587)</b>	(647,565)	<b>(1,105,202)</b>	783,675
Income tax recovery		-	705,000	-	380,000
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>(1,724,587)</b>	57,435	<b>(1,105,202)</b>	1,163,675
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Currency translation differences (may be subsequently reclassified to net income)		421,907	-	175,588	-
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<b>(1,302,680)</b>	57,435	<b>(929,614)</b>	1,163,675
Income (loss) per share - basic		(0.03)	0.00	(0.02)	0.03
Income (loss) per share - diluted		(0.03)	0.00	(0.02)	0.03
Comprehensive income (loss) per share - basic		\$ (0.02)	\$ 0.00	\$ (0.02)	\$ 0.03
Comprehensive income (loss) per share - diluted		\$ (0.02)	\$ 0.00	\$ (0.01)	\$ 0.02
Weighted average number of common shares outstanding					
Outstanding - basic		56,041,746	52,552,829	56,041,746	44,708,535
Outstanding - fully diluted		64,578,562	61,796,531	64,578,562	53,952,237

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**Pioneering Technology Corp.**

Condensed Interim Statements of Changes in Equity

For the three and nine months ended June 30, 2018 and 2017

(Unaudited)

*Expressed in Canadian Dollars*

	Note	Common shares		Preferred shares		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total Equity \$
		Number	Amount	Number	Amount				
<b>Balance, October 1, 2017</b>		<b>55,701,746</b>	<b>17,838,557</b>	<b>20,533,133</b>	<b>1</b>	<b>2,522,265</b>	<b>(595,357)</b>	<b>(8,184,749)</b>	<b>11,580,718</b>
Shares and warrants issued	10	-	-	-	-	-	-	-	-
Warrants and stock options exercised	10	340,000	122,966	-	-	(65,275)	-	-	57,691
Share issuance costs and broker warrants		-	26,019	-	-	-	-	-	26,019
Stock-based compensation expense	10	-	-	-	-	921,708	-	-	921,708
Comprehensive (loss) income for the period		-	-	-	-	-	421,907	(1,724,587)	(1,302,680)
<b>Balance, June 30, 2018</b>		<b>56,041,746</b>	<b>\$ 17,987,542</b>	<b>20,533,133</b>	<b>\$ 1</b>	<b>\$ 3,378,698</b>	<b>\$ (173,450)</b>	<b>\$ (9,909,336)</b>	<b>\$ 11,283,456</b>

	Note	Common shares		Preferred shares		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total \$
		Number	Amount	Number	Amount				
Balance, October 1, 2016		41,908,352	\$ 7,051,121	20,533,133	\$ 1	\$ 2,255,755	\$ 28,213	\$ (8,429,802)	\$ 905,288
Shares and warrants issued	10	5,995,631	6,386,528	-	-	-	-	-	6,386,528
Warrants and stock options exercised	10	6,333,114	1,225,179	-	-	-	-	-	1,225,179
Share issuance costs and broker warrants		-	-	-	-	-	-	-	-
Stock-based compensation expense	10	-	1,772,693	-	-	1,653,305	-	(1,473,754)	1,952,244
Comprehensive (loss) income for the period		-	-	-	-	-	391,700	57,435	449,135
<b>Balance, June 30, 2017</b>		<b>54,237,097</b>	<b>\$ 16,435,521</b>	<b>20,533,133</b>	<b>\$ 1</b>	<b>\$ 3,909,060</b>	<b>\$ 419,913</b>	<b>\$ (9,846,121)</b>	<b>\$ 10,918,374</b>

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**Pioneering Technology Corp.**

## Condensed Interim Statements of Cash Flows

For the three and nine months ended June 30, 2018 and 2017

(Unaudited)

*Expressed in Canadian Dollars*

	Nine Months Ended		Three Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net income for the period	(1,724,588)	57,435	(1,105,202)	1,163,675
<b>Items not affecting cash</b>				
Depreciation of property and equipment	33,933	21,317	23,223	8,328
Amortization of patents	2,347	3,353	782	1,119
Income tax recovery	-	(705,000)	-	(380,000)
Fair value movement - derivative liability	(669,449)	2,333,674	(544)	(272,684)
Unrealized foreign exchange loss (gain)	(236,734)	(341,082)	(185,181)	(199,566)
Stock-based compensation expenses	921,708	179,553	307,236	-
	<b>(1,672,782)</b>	<b>1,549,250</b>	<b>(959,686)</b>	<b>320,872</b>
Change in non-cash working capital balances				
Trade and other receivables	2,365,026	524,216	1,167,014	(1,137,068)
Inventories	(1,984,755)	(1,574,190)	(914,562)	(178,808)
Prepaid expenses and deposits	(54,791)	(388,259)	(199,241)	(263,003)
Trade payables and accrued liabilities	(674,527)	(35,497)	(161,571)	(26,893)
	<b>(2,021,830)</b>	<b>75,520</b>	<b>(1,068,045)</b>	<b>(1,284,900)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(235,343)	(9,465)	(149,699)	-
	<b>(235,343)</b>	<b>(9,465)</b>	<b>(149,699)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>				
Shares and warrants, net of issuance costs	26,019	6,076,374	-	192,672
Proceeds from options and warrants exercised	57,691	1,225,179	-	206,500
Short-term investments	(5,465,454)	(6,786,871)	1,270,144	(6,786,871)
Increase (decrease) in long-term debt	-	(1,575,040)	-	(1,750,000)
(Decrease) increase in bank indebtedness	-	(174,960)	-	-
	<b>(5,381,744)</b>	<b>(1,235,318)</b>	<b>1,270,144</b>	<b>(8,137,699)</b>
<b>NET CHANGE IN CASH DURING IN THE PERIOD</b>	<b>(7,638,917)</b>	<b>(1,169,264)</b>	<b>52,400</b>	<b>(9,422,599)</b>
Foreign currency movement in cash balances	421,907	-	175,588	-
<b>CASH - BEGINNING OF PERIOD</b>	<b>7,517,191</b>	<b>1,209,491</b>	<b>72,193</b>	<b>9,462,827</b>
<b>CASH - END OF PERIOD</b>	<b>300,181</b>	<b>40,228</b>	<b>300,181</b>	<b>40,228</b>

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements

For the three and nine months ended June 30, 2018 and 2017

(Unaudited)

*Expressed in Canadian Dollars***1. NATURE OF OPERATIONS**

Pioneering Technology Corp. (“Pioneering” or the “Company”) is incorporated under the laws of Ontario, Canada and is an energy smart technology and consumer products company focused on developing advanced thermo-based technology solutions for opportunities that exist to improve the safety and/or energy efficiency of some of the most common household products and appliances.

Pioneering is a public company listed on the TSX Venture Exchange (TSX-V: PTE). The Company’s principal place of business is located at 220 Britannia Road East, Mississauga, Ontario, Canada, L4Z 1S6. The Company’s website is [www.pioneeringtech.com](http://www.pioneeringtech.com).

**2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY**

The financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

**2.1 Statement of compliance**

These interim condensed financial statements, including comparative balances for the three and nine months ended June 30, 2018, have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim condensed financial statements do not include all the information and disclosures required in the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended September 30, 2017. These interim condensed financial statements were approved and authorized by the Board of Directors of the Company on August 29, 2018

**2.2 Pending accounting changes***IFRS 9 - Financial Instruments: Classification and Measurement*

In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to-maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. In 2013, the IASB also incorporated new accounting requirements for hedging and introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis.

The effective date of this pronouncement has been set to be effective for annual periods beginning on or after January 1, 2018. The Company intends to adopt the amendments to IFRS 9 in its financial statements for the annual period beginning October 1, 2018.

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements

For the three and nine months ended June 30, 2018 and 2017

(Unaudited)

*Expressed in Canadian Dollars***2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (CONT'D)***IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, which replaces IAS 18 - Revenues and covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, which will be October 1, 2018 for Pioneering. The Company is in the process of reviewing the standard to determine the impact on the financial statements.

*IFRS 16 – Leases*

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), which replaces IAS 17 - Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. The Company is assessing the potential impact of this standard.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those for the year-end September 30, 2017 financial statements.

**Use of estimates and judgments**

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined below. Actual results may differ from those estimates.

Judgments made by management in the on-going application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed below:

- Inventory valuation – the provision for obsolescence of inventory and the estimated net realizable value;
- Trade receivable valuation – recoverability of trade receivables through the allowance for doubtful accounts (refer to note 13);
- Functional currency – judgment is required in determining the Company's functional currency based on the economic environment in which it primarily generates and expends cash;
- Stock-based compensation – the inputs used in valuing stock options;
- Valuation of derivative liability – methodology and inputs used in initial valuation and subsequent re-measurements; and
- Recovery of deferred income tax assets – assessing whether the realization of tax losses against future taxable income is probable.

**Functional currency and foreign currency translation**

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements  
For the three and nine months ended June 30, 2018 and 2017  
(Unaudited)

*Expressed in Canadian Dollars*

Foreign currency transactions are translated into the functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated using the historical exchange rate or the exchange rate in effect at the measurement date

for items recognized at fair value through profit or loss ("FVTPL"). Gains and losses arising from foreign exchange are included in the statement of (loss) income and comprehensive (loss) income.

#### **Short-term investments**

Short-term investments consist of marketable securities with original maturities of no longer than 12 months, from the date of purchase. Short-term investments consist of term deposits. Short-term investments are classified as financial instruments carried at fair value through profit or loss.

### **4. CAPITAL MANAGEMENT**

The Company defines capital as total shareholders' equity and long-term debt. 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 to bring new products to market. 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three and nine months ended June 30, 2018.

### **5. FINANCIAL INSTRUMENTS**

Financial instruments, by classification, comprise the following:

	Fair value hierarchy	June 30, 2018	September 30, 2017
		\$	\$
<b>Financial assets</b>			
<i>Fair value through profit or loss, measured at fair value</i>			
Cash	Level 1	300,181	7,517,191
Short-term investment	Level 1	5,465,452	-
<i>Loans and receivables, recorded at amortized cost</i>			
Trade and other receivables		379,477	2,436,825
<b>Financial liabilities</b>			
<i>Fair value through profit or loss, measured at fair value</i>			
Derivative liability	Level 2	4,713	674,162
<i>Other financial liabilities measured at a amortized cost</i>			
Trade payables and accrued liabilities		416,663	931,584

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements  
For the three and nine months ended June 30, 2018 and 2017  
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*Expressed in Canadian Dollars*

**5. FINANCIAL INSTRUMENTS (CONT'D)**

A summary of the Company's risk exposures as it relates to financial instruments is reflected below:

**Credit risk**

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily from trade receivable) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk relates to cash and accounts receivable and arises from the possibility that any counterparty to an instrument fails to perform. The Company has adopted a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. All of the Company's customers are located in either Canada or the United States. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer. As at June 30, 2018, the Company's maximum exposure to credit risk was the carrying value of cash, short term investments and accounts receivable.

*Trade and other receivable*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The allowance for doubtful accounts was \$5,000 and \$5,000 as at June 30, 2018 and September 30, 2017, respectively.

The Company's accounts receivables are concentrated among customers in the distribution and retail industry, which may be affected by adverse economic factors impacting that industry. As at June 30, 2018, three customers accounted for greater than 10% of the Company's accounts receivable balance. In total, these customers accounted for 57% of the Company's accounts receivable balance as at June 30, 2018 (2017 – 67%).

*Financial instruments and cash deposits*

Credit risk from balances with banks and financial institutions is managed by the Company's treasury function in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

**Liquidity risk**

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. The Company is growing and in order to meet its short and longer-term working capital requirements, the Company will attempt, if necessary, to secure further financing to ensure that those obligations are properly discharged.

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements  
For the three and nine months ended June 30, 2018 and 2017  
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*Expressed in Canadian Dollars*

**5. FINANCIAL INSTRUMENTS (CONT'D)**

Operationally, the Company manages its liquidity by continuously monitoring forecasted and actual gross profit, expenses, and cash flows from operations.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk). Market risks material to Pioneering include:

**Foreign currency risk**

Prior to the change in functional currency September 6, 2016, the Company was exposed to foreign currency risk as a material portion of its transacting is carried out in US dollars ("USD") and maintained USD denominated bank accounts.

Up until the change in functional currency, 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 (loss) and comprehensive (loss) income. Subsequent to the change in functional currency, the Company is exposed to foreign currency risk on its Canadian dollar (CAD) denominated transactions and balances.

At present the Company has no plans in place to hedge its foreign exchange exposures. As the Company has expenditures and sales in both USD and CAD, the Company realizes the benefit of a partial natural hedge against this risk. A sensitivity analysis is presented below on its exposure to foreign currency risk on the CAD.

**Interest rate risk**

The Company invests cash, surplus to its operational needs, in investment grade short term deposit certificates issued by the Canadian chartered bank where it keeps its operating accounts. The Company is exposed to interest rate risk arising from fluctuations in the bank's prime rate related to its bank indebtedness. With all other factors held constant, a 1% fluctuation in the bank's prime rate would yield a change of \$0.00 (2017 - +/- \$17,500) in earnings.

**Sensitivity analysis – foreign exchange risk**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a one-year period. The Company's operating activities are substantially denominated in both Canadian and US dollars. The Company's funds are kept in CAD and USD with a major Canadian Financial Institution.

The table below summarizes the effects on foreign exchange gains and losses as a result of a 10% change in the value of the foreign currencies against the CAD where the Company has significant exposure. The analysis assumes that other variables remain constant.

	Loss effect of a 10% increase in foreign exchange rates on translation of CAD monetary balances	Income effect of a 10% decrease in foreign exchange rates on translation of CAD monetary balances
CAD	\$ (209,207)	\$ 209,207

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements  
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*Expressed in Canadian Dollars*

**6. INVENTORIES**

Inventories are comprised of finished goods.

	<b>June 30, 2018</b>	September 30, 2017
	\$	\$
Finished goods	<b>3,314,438</b>	1,256,648

**7. BANK INDEBTEDNESS**

The company has a \$500,000 revolving demand facility with a Canadian chartered bank bearing interest at the lender's prime rate plus 2% per annum. The Company has provided a general security to the lender over its personal property. No amounts have been drawn on the facility at quarter-end.

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements

For the three and nine months ended June 30, 2018 and 2017

(Unaudited)

*Expressed in Canadian Dollars*
**8. PROPERTY AND EQUIPMENT**

Property and equipment are comprised of the following:

<b>Cost</b>	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Total \$
October 1, 2016	47,482	225,721	11,136	11,287	5,110	300,736
Additions	1,996	-	-	9,465	-	11,461
Disposals	-	-	-	-	-	-
October 1, 2017	49,478	225,721	11,136	20,752	5,110	312,197
Additions	13,555	74,267	-	-	133,086	220,908
Disposals	-	-	-	-	-	-
<b>June 30, 2018</b>	<b>63,033</b>	<b>299,988</b>	<b>11,136</b>	<b>20,752</b>	<b>138,196</b>	<b>533,105</b>

<b>Accumulated Depreciation</b>	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Total \$
October 1, 2016	21,328	182,235	10,374	9,682	3,604	227,223
Depreciation	11,769	13,046	229	3,025	452	28,521
Disposals	-	-	-	-	-	-
October 1, 2017	33,097	195,281	10,603	12,707	4,056	255,744
Depreciation	7,505	24,261	120	1,810	237	33,932
Disposals	-	-	-	-	-	-
<b>June 30, 2018</b>	<b>40,602</b>	<b>219,542</b>	<b>10,723</b>	<b>14,517</b>	<b>4,293</b>	<b>289,676</b>

<b>Carrying value</b>	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Total \$
October 1, 2016	26,154	43,486	762	1,605	1,506	73,513
October 1, 2017	16,381	30,440	533	8,045	1,054	56,453
<b>June 30, 2018</b>	<b>22,431</b>	<b>80,446</b>	<b>413</b>	<b>6,235</b>	<b>133,903</b>	<b>243,429</b>

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**9. PATENTS**

Patents are comprised of the following:

	Trademarks	Patents	Total
<b>Cost</b>	\$	\$	\$
October 1, 2016	-	45,689	45,689
Additions (Disposals)	-	-	-
October 1, 2017	-	45,689	45,689
Additions (Disposals)	14,435	-	14,435
<b>June 30, 2018</b>	<b>14,435</b>	<b>45,689</b>	<b>60,124</b>

	Trademarks	Patents	Total
<b>Accumulated amortization</b>	\$	\$	\$
October 1, 2016	-	30,787	30,787
Amortization (Disposals)	-	4,469	4,469
October 1, 2017	-	35,256	35,256
Amortization (Disposals)	-	2,349	2,349
<b>June 30, 2018</b>	<b>-</b>	<b>37,605</b>	<b>37,605</b>

	Trademarks	Patents	Total
<b>Carrying value</b>	\$	\$	\$
October 1, 2016	-	14,902	14,902
October 1, 2017	-	10,433	10,433
<b>June 30, 2018</b>	<b>14,435</b>	<b>8,084</b>	<b>22,519</b>

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**10. SHARE CAPITAL**
**a) Authorized**

Unlimited number of voting common shares and non-voting series 1 preferred shares that are issuable in series. The series 1 preferred shares can be redeemed, at the sole discretion of the Company, upon payment to the holder of \$0.06 per preferred share (a maximum aggregate redemption price of \$1,231,988) and are not entitled to dividends. The statement of changes in equity details the number and value of the common shares and series 1 preferred shares outstanding as at the reporting date.

**b) Stock options plan**

The Company has a stock option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the underlying directors' resolution approving the issuance and have a maximum life of five years. The plan allows for the issuance of up to 10,330,163 common shares of the Company. At June 30, 2018, the Company had 3,616,163 (September 30, 2017 - 3,616,163) stock options available for issuance.

**c) Contributed surplus**

Contributed surplus is comprised of the following:

	June 30, 2018	September 30, 2017
	\$	\$
Stock options	3,249,186	2,392,753
Broker warrants	129,512	129,512
	<b>3,378,698</b>	<b>2,522,265</b>

Stock option activity for the three months ended June 30, 2018 and 2017 were as follows:

	June 30, 2018		September 30, 2017	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Balance, beginning of period	\$ 0.51	5,879,000	\$ 0.22	6,229,000
Transactions during the period				
Exercised	\$ 0.20	(340,000)	\$ 0.25	(1,955,000)
Outstanding, end of period	\$ 0.50	5,539,000	\$ 0.22	4,274,000
<b>Exercisable, end of period</b>	<b>\$ 0.27</b>	<b>3,789,000</b>	<b>\$ 0.22</b>	<b>4,274,000</b>

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**10. SHARE CAPITAL (CONT'D)**
**c) Contributed surplus (cont'd)**

The following table provides additional information about the outstanding stock options as at June 30, 2018:

Exercise Price	June 30, 2018			September 30, 2017		
	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable
\$0.15	1,024,000	1.25	1,024,000	1,114,000	2.00	1,114,000
\$0.22	1,990,000	2.75	1,990,000	2,240,000	3.50	2,240,000
\$0.29 - \$0.33	500,000	2.72	500,000	500,000	3.47	500,000
\$1.07	2,025,000	4.17	275,000	2,025,000	4.92	275,000
	<b>5,539,000</b>	<b>2.99</b>	<b>3,789,000</b>	<b>5,879,000</b>	<b>3.70</b>	<b>4,129,000</b>

Stock-based compensation expense was allocated to the financial statements as follows:

	June 30, 2018	June 30, 2017
	\$	\$
Administration	498,806	127,967
Sales and marketing	314,466	25,919
Research and development	108,436	25,667
	<b>921,708</b>	<b>179,553</b>

**d) Warrants**

During the quarter ended June 30, 2018, no warrants (2017 – 1,605,417) were exchanged for common shares (2017 - \$0.25 per share). As at June 30, 2018, 2,997,816 warrants were outstanding (2017 – 3,484,386).

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Pioneering leases its premises under a non-cancellable operating lease that expires in May 2018. Future minimum lease payments by year, and in the aggregate, are as follows:

	\$
2018	24,208
2019	151,376
2020	156,408
2021	160,366
2022	164,340
2023	168,421
2024	172,670
2025	176,997
2026	181,369
2027	185,972
2028	158,173
	<b>1,700,301</b>

Under the terms of the lease, the Company is also responsible for its proportionate share of common area maintenance costs, including realty taxes. On February 20, 2018, the Company signed a new lease agreement for a 10-year lease of a new facility for the purposes of relocating their current head office and warehousing facilities.

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 2016, a former supplier commenced an action against the Company relating to a contractual dispute. The Company intends to vigorously defend itself against such claim. As at quarter-end, no provision has been recorded in connection with this claim.

**12. INCOME TAXES**

As at June 30, 2018, the Company has accumulated non-capital losses for income tax purposes which can be carried forward to be applied against future taxable income for income tax purposes. At September 30, 2017, the Company had recognized the full balance as a deferred tax asset because management considered it more likely than not that future taxable income would be available against which such losses can be used based on projected future taxable earnings. These non-capital losses expire as follows:

	\$
2027	365,029
2028	1,424,300
2029	579,685
2031	106,628
2032	813,981
2033	1,269,404
2034	854,465
	<b>5,413,492</b>

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**13. TRADE AND OTHER RECEIVABLES**

The Company's trade and other receivables are from: trade receivables and customer sales and Harmonized Services Tax ("HST") receivable due from government taxing authorities. The Company held no collateral for any receivable amounts outstanding as at June 30, 2018. The following comprises trade and other receivables:

Trade receivables greater than 30 days are considered past due. An aging analysis of the trade receivables is as follows:

	June 30, 2018	September 30, 2017
	\$	\$
HST recoverable	20,098	110,314
Trade accounts receivable, net of allowance	359,379	2,326,511
	<b>379,477</b>	<b>2,436,825</b>

	June 30, 2018	September 30, 2017
	\$	\$
Less than 1 month	259,392	2,219,418
31-60 days	24,025	122,307
61-90 days	4,274	3,646
Over 90 days	96,787	96,452
Total trade accounts receivable	384,477	2,441,823
Less: Allowance for doubtful accounts	5,000	5,000
Net trade accounts receivable	<b>379,477</b>	<b>2,436,823</b>

**14. TRADE PAYABLES AND ACCRUED LIABILITIES**

Trade and other payables are principally comprised of amounts outstanding for trade purchases relating to products sold and for amounts relating to operating activities. The following comprises trade and accrued liabilities:

	June 30, 2018	September 30, 2017
	\$	\$
Trade payables	330,882	470,175
Other accrued liabilities	85,780	461,409
	<b>416,663</b>	<b>931,584</b>

The standard maturity terms of the Company's trade and other payables are 30 to 60 days.

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**15. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

Related party transactions and balances are as follows:

	June 30, 2018	June 30, 2017
	\$	\$
Type of payment:		
Key management salaries and contingent compensation	404,812	309,000
Director's fees	15,500	1,500
Value of key management stock options	305,698	-
Value of director stock options	118,006	-
Key management compensation	844,016	310,500
Amounts due to related parties at quarter end	6,250	-

The amounts due to related parties are included in the trade payables and accrued liabilities. The Company defines Key Management as its CEO, CFO, COO and its Board of Directors.

**16. SEGMENTED INFORMATION**

The Company operates in one business segment being the development, manufacture and sale of products intended to save energy and offer consumer convenience and safety. In addition, the Company operates in only one geographical segment, Canada, although it does service its U.S. clients by shipping and invoicing from its facilities in Mississauga, Ontario. Some deliveries are routed through an independent warehouse in the United States. The breakdown of the Company's revenues by geographic areas for the periods ended June 30, 2018 and 2017 are as follows:

	June 30, 2018	June 30, 2017
Canada	19%	19%
United States	81%	81%
	100%	100%

The Company's long-lived assets are located in Canada.