



PIONEERING
TECHNOLOGY

Pioneering Technology Corp.

Audited Financial Statements

September 30, 2017



Pioneering Technology Corp.

For the year ended September 30, 2017

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Pioneering Technology Corp. (the "Company") are the responsibility of management and have been approved by the Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards as disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Kevin Callahan”

“Richard Adair”

Kevin Callahan
CEO

Richard Adair
Chair – Audit Committee

January 17, 2018



RSM Canada LLP

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Independent Auditors' Report

To the Shareholders of Pioneering Technology Corp.

We have audited the accompanying financial statements of Pioneering Technology Corp., which comprise the statements of financial position as at September 30, 2017 and September 30, 2016 and the statements of income and comprehensive (loss) income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pioneering Technology Corp. as at September 30, 2017 and September 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

RSM Canada LLP

Toronto, Canada
January 17, 2018

Chartered Professional Accountants
Licensed Public Accountants



Pioneering Technology Corp.
Statements of Financial Position
As at September 30th

(Expressed in Canadian Dollars)

	Note	2017	2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash		7,517,191	1,209,491
Short-term investments		-	27,033
Trade and other receivable	14	2,436,825	2,397,132
Inventories	6	1,256,648	881,667
Prepaid expenses and deposits		291,601	119,608
		11,502,265	4,634,931
Property and equipment	9	56,453	73,513
Patents	10	10,431	14,901
Deferred tax asset	13	1,617,315	670,000
TOTAL ASSETS		13,186,464	5,393,345
LIABILITIES			
CURRENT LIABILITIES			
Trade payables and accrued liabilities	15	931,584	905,203
Current portion of long-term debt	8	-	174,960
Derivative liability	11(d)	674,162	1,832,854
		1,605,746	2,913,017
Long-term debt	8	-	1,575,040
TOTAL LIABILITIES		1,605,746	4,488,057
SHAREHOLDERS' EQUITY			
Common share capital	11(a)	17,838,557	7,051,121
Preferred shares	11(a)	1	1
Contributed surplus	11(c)	2,522,265	2,255,755
Accumulated other comprehensive (loss) income	2.2	(595,357)	28,213
Deficit		(8,184,748)	(8,429,802)
TOTAL SHAREHOLDERS' EQUITY		11,580,718	905,288
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		13,186,464	5,393,345

Commitments and Contingencies 12

Approved by:

"Kevin Callahan"

"Richard Adair"

Kevin Callahan
 Director

Richard Adair
 Director



Pioneering Technology Corp.
Statements of Income and Comprehensive (Loss) Income
For the year ended September 30th

(Expressed in Canadian Dollars)

	Note	2017	2016 (Note 18)
		\$	\$
REVENUE		10,287,537	6,644,252
COST OF GOODS SOLD	18	5,044,283	2,509,133
GROSS PROFIT		5,243,254	4,135,119
EXPENSES			
Sales and marketing	11(c)	1,695,223	1,096,734
Administration	11(c)	2,294,001	1,339,971
Warehousing, distribution and warranty costs		219,804	92,948
Foreign exchange loss (gain)		(306,507)	237,298
Research and development costs	11(c)	316,201	295,216
Depreciation of property and equipment	9	28,521	27,967
Amortization of patents	10	4,470	7,456
TOTAL EXPENSES		4,251,713	3,097,590
INCOME (LOSS) BEFORE OTHER EXPENSE, INTEREST AND GUARANTEE FEE, FAIR VALUE MOVEMENT - DERIVATIVE LIABILITIES AND INCOME TAXES		991,541	1,037,529
Other expense		(139,509)	-
Interest and guarantee fee	7,8	(186,431)	(318,567)
Fair value movement - derivative liability	11(d)	(1,367,862)	-
INCOME (LOSS) BEFORE INCOME TAXES		(702,261)	718,962
Income tax recovery	13	947,315	670,000
NET INCOME FOR THE YEAR		245,054	1,388,962
OTHER COMPREHENSIVE INCOME (LOSS)			
Currency translation differences (may be subsequently reclassified to net income)		(623,570)	28,213
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(378,516)	1,417,175
Income (loss) per share - basic		\$ 0.01	\$ 0.04
Income (loss) per share - diluted		\$ 0.00	\$ 0.03
Comprehensive income (loss) per share - basic		\$ (0.01)	\$ 0.04
Comprehensive income (loss) per share - diluted		\$ (0.01)	\$ 0.03
Weighted average number of common shares outstanding			
Outstanding - basic		48,738,502	35,187,386
Outstanding - fully diluted		51,783,690	46,760,269

Pioneering Technology Corp.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Common shares		Preferred shares		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total Equity \$	
		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	11	5,995,631	5,014,013	-	-	-	-	-	-	5,014,013
Warrants and stock options exercised	11	7,797,763	6,385,401	-	-	(354,660)	-	-	-	6,030,741
Share issuance costs and broker warrants		-	(611,978)	-	-	105,832	-	-	-	(506,146)
Stock-based compensation expense	11	-	-	-	-	515,338	-	-	-	515,338
Comprehensive (loss) income for the year		-	-	-	-	-	(623,570)	245,054	-	(378,516)
Balance, September 30, 2017		55,701,746	\$ 17,838,557	20,533,133	\$	1	\$2,522,265	\$ (595,357)	\$ (8,184,748)	\$ 11,580,718

	Note	Common shares		Preferred shares		Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total \$	
		Number	Amount	Number	Amount					
Balance, October 1, 2015		28,648,155	\$ 5,752,278	20,533,133	\$	1	\$1,700,281	\$ -	\$ (8,366,006)	\$ (913,446)
Shares and warrants issued	11	12,000,000	940,800	-	-	559,200	-	-	-	1,500,000
Warrants and stock options exercised	11	1,260,197	523,953	-	-	(106,715)	-	-	-	417,238
Share issuance costs		-	(165,910)	-	-	23,680	-	-	-	(142,230)
Stock-based compensation expense	11	-	-	-	-	586,794	-	-	-	586,794
Change in functional currency	2.2, 11(d)	-	-	-	-	(507,485)	-	(1,452,758)	-	(1,960,243)
Comprehensive income for the year		-	-	-	-	-	28,213	1,388,962	-	1,417,175
Balance, September 30, 2016		41,908,352	\$ 7,051,121	20,533,133	\$	1	\$2,255,755	\$ 28,213	\$ (8,429,802)	\$ 905,288

Pioneering Technology Corp.
 Statements of Cash Flows
 For the year ended September 30th

(Expressed in Canadian Dollars)

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Net income for the year	245,054	1,388,962
Items not affecting cash		
Depreciation of property and equipment	28,521	27,967
Amortization of patents	4,470	7,456
Loss on disposal of equipment	-	670
Income tax recovery	(947,315)	(670,000)
Fair value movement - derivative liability	1,367,862	-
Unrealized foreign exchange loss	41,200	23,600
Impairment of aged inventory	78,212	-
Stock-based compensation expenses	515,338	586,794
	1,333,342	1,365,449
Change in non-cash working capital balances		
Trade and other receivables	(164,317)	(1,421,557)
Inventories	(385,725)	(256,874)
Prepaid expenses and deposits	(186,034)	(102,733)
Trade payables and accrued liabilities	73,546	(606,869)
	670,812	(1,022,584)
INVESTING ACTIVITIES		
Purchase of property and equipment	(11,461)	(33,584)
	(11,461)	(33,584)
FINANCING ACTIVITIES		
Shares and warrants, net of issuance costs	6,098,995	1,357,770
Proceeds from options and warrants exercised	1,895,891	417,238
Proceeds from short-term loans payable	-	864,156
Repayment of short-term loans payable	-	(1,842,374)
Short-term investments	27,033	181
Increase (decrease) in long-term debt	(1,750,000)	1,750,000
(Decrease) increase in bank indebtedness	-	(248,694)
	6,271,919	2,298,277
NET CHANGE IN CASH DURING THE YEAR	6,931,270	1,242,109
Foreign currency movement in cash balances	(623,570)	(123,136)
CASH - BEGINNING OF YEAR	1,209,491	90,518
CASH - END OF YEAR	7,517,191	1,209,491

Pioneering Technology Corp.
Notes to the Financial Statements
For the years ended September 30, 2017 and 2016

(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 Toronto Venture Stock 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.

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 financial statements, including comparative balances for the year ended September 30, 2016, have been prepared in accordance with and using policies in full compliance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements were approved and authorized by the Board of Directors of the Company on January 17, 2018.

2.2 Change in functional currency and foreign currency translation

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 was accounted for prospectively from September 6, 2016. The exchange rate used to translate the balance sheet to reflect the change in functional currency on adoption was U.S. \$1 equals to Canadian \$1.2843. The warrants issued in the Company’s private placement were reclassified as financial liabilities on the statement of financial position because the Company’s warrants do not meet the criteria in IAS 32, Financial Instruments: Presentation (“IAS 32”) for classification as equity. Upon the change in functional currency, the derivative liability is recognized at fair value, which resulted in an increase in deficit of \$1,452,758. The fair value movement in future reporting periods on the derivative liability is to be recognized in the statement of income and comprehensive (loss) income.

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 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 income and comprehensive (loss) income.

Pioneering Technology Corp.
Notes to the Financial Statements
For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (CONT'D)

2.3 Pending accounting changes

IAS 7, Disclosure Initiative

On January 7, 2016, the IASB issued Disclosure Initiative (amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on October 1, 2017. The Company is currently assessing the impact to the disclosures of these amendments on its consolidated financial statements.

IAS 12, Recognition of Deferred Tax Assets for Unrealized Losses

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses. The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt IAS 12 for the annual period beginning October 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 2, Classification and Measurement of Share-based Payment Transactions

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning October 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Pioneering Technology Corp.
Notes to the Financial Statements
For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY (CONT'D)

2.3 Pending accounting changes (cont'd)

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.

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.

Pioneering Technology Corp.
Notes to the Financial Statements
For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

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 14);
- 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.

Revenue recognition

Revenue and the related cost of goods sold are recognized on shipment of goods to the customer. On shipment, the Company transfers the significant risks and rewards of ownership to the customer and retains no effective control over the product merchandise and it is probable that the economic benefits associated with the transaction will flow to the Company as the customer has taken legal possession of the product. The amount of revenue can be measured reliably as the sales price of the product is fixed as agreed upon in the underlying purchase order. Installation revenue is recognized once the installation of each unit is completed and accepted by the customer.

Revenue from sales arrangements that include multiple elements, such as products and installation, is allocated to the elements based upon the relative value of the elements included in the arrangement. An element is considered to be separately identifiable if the product or service delivered has stand-alone value to the customer and the fair value can be measured reliably. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole.

Stock-based compensation

The fair value of all stock options granted to employees (including directors and senior executives) is determined using the Black-Scholes option pricing model and incorporates an estimated forfeiture rate. The resulting value is charged to operations over the vesting period of the underlying options. A corresponding increase in contributed surplus is recorded when employee stock options are expensed.

Pioneering Technology Corp.
Notes to the Financial Statements
For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Stock-based compensation (cont'd)

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of income and comprehensive (loss) income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the goods or services received, and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

For stock-based compensation with non-vesting conditions, the grant date fair value of the stock-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes. When a stock option is exercised, share capital is recorded at the sum of the proceeds received plus the amount previously recorded in contributed surplus relating to the options exercised.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined principally on a first-in, first-out basis. The cost is comprised of the purchase price plus the direct costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. A provision for obsolescence is calculated based on historical experience. Management reviews the entire provision to assess whether, based on economic conditions, it is adequate.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a declining balance basis based on the following rates:

Computer hardware and software	45%
Equipment, small tools and molds	30%
Fixtures and fittings	30%
Automobiles	30%
Leasehold improvements	20%

Residual value and estimated useful lives are reviewed at least annually.

Pioneering Technology Corp.
Notes to the Financial Statements
For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Research and development costs

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Internally developed intangibles assets are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangibles is the sum of the expenditure incurred from the date when the intangibles first meets the recognition criteria listed above. Where no internally-generated intangibles can be recognized, development costs are recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangibles are reported at cost less accumulated depreciation and accumulated impairment losses, on the same basis as intangibles that are acquired separately.

Patents

Costs directly related to the acquisition of patents are capitalized and then amortized over their estimated useful life on a straight-line basis.

Impairment

Property and equipment and intangible assets with a finite useful life

Property and equipment and intangible assets with a finite life are assessed for indications of impairment at the end of each reporting period. If such indications exist, then the recoverable amount of the cash generating unit (CGU) is compared to the carrying value of the CGU. An impairment loss is recognized when the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount of the CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognized in operations for the period in which they are identified. Intangible assets not yet available for use are tested for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year.

Financial Assets

Financial assets, other than those classified as fair value through profit and loss ("FVTPL"), are assessed for indicators of impairment at each year-end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Pioneering Technology Corp.
Notes to the Financial Statements
For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment (cont'd)

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in operations when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale financial assets are impaired if the cost (net of any principal payments and amortization) is greater than the current fair value, less any impairment previously recognized in operations. The impairment amount is transferred from equity to the statement of income and comprehensive (loss) income. Reversals of available-for-sale financial assets are not recognized in operations.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss have been recognized.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax losses, to the extent that it is probable that taxable Income will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable Income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable Income will allow the deferred tax asset to be recovered.

Pioneering Technology Corp.
Notes to the Financial Statements
For the years ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income tax (cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income and comprehensive (loss) income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Comprehensive (loss) income / earnings (loss) per share

The basic comprehensive (loss) income per share is computed by dividing the comprehensive income / earnings by the weighted average number of common shares outstanding during the year. The diluted income / earnings per share reflect the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL") as follows:

- Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in income.
- Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized through accumulated other comprehensive income except for losses in value that are considered other than temporary, which are recognized in income.
- Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Pioneering Technology Corp.
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in income.

Transactions costs associated with FVTPL financial liabilities are expensed as incurred, while transaction costs associated with other financial liabilities are included in the initial carrying amount of the liability.

Fair value hierarchy

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; and financial liabilities designated upon initial recognition at fair value with gains and losses recognized in income. Financial instruments require disclosure about inputs to fair value measurements within the fair value measurement hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and term deposits with an original maturity of three months or less or cashable without penalty which are readily convertible into a known amount of cash.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an “operating lease”), the total rental payments payable under the lease are charged to the statement of income and comprehensive (loss) income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

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 year ended September 30, 2017.

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5. FINANCIAL INSTRUMENTS

Financial instruments, by classification, comprise the following:

	Fair value hierarchy	2017	2016
		\$	\$
Financial assets			
<i>Fair value through profit or loss, measured at fair value</i>			
Cash	Level 1	7,517,191	1,209,491
Short-term investment	Level 1	-	27,033
<i>Loans and receivables, recorded at amortized cost</i>			
Trade and other receivables		2,436,825	2,397,132
Financial liabilities			
<i>Fair value through profit or loss, measured at fair value</i>			
Derivative liability	Level 2	674,162	1,832,854
<i>Other financial liabilities measured at a amortized cost</i>			
Trade payables and accrued liabilities		931,584	905,203
Long-term debt payable		-	1,750,000

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 September 30, 2017 and 2016, the Company's maximum exposure to credit risk was the carrying value of cash 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 September 30, 2017 and 2016, respectively.

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5. FINANCIAL INSTRUMENTS (CONT'D)

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 September 30, 2017, one customer accounted for greater than 10% of the Company's accounts receivable balance. In total, this customer accounted for 87% of the Company's accounts receivable balance as at September 30, 2017 (2016 – 46%).

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.

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 as described in note 2.2, 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 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.

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5. FINANCIAL INSTRUMENTS (CONT'D)

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 (2016 - +/- \$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	\$ (595,256)	\$ 595,256

6. INVENTORIES

Inventories are comprised of the following:

	2017	2016
	\$	\$
Raw materials	-	45,238
Work-in-process	-	57,774
Finished goods	1,256,648	778,655
	1,256,648	881,667

Inventory expensed (excluding impairment) during the year is \$4,356,181 (2016 - \$1,999,374).

7. BANK INDEBTEDNESS

During the year, the company obtained 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 year-end.

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8. LONG TERM LOAN PAYABLE

The Company repaid its long-term debt of \$1,750,000 on June 15, 2017. The payout included a prepayment fee of \$22,672.

9. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

Cost	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Total \$
October 1, 2015	45,577	225,721	11,136	11,287	5,110	298,831
Additions	33,583	-	-	-	-	33,583
Disposals	(31,678)	-	-	-	-	(31,678)
October 1, 2016	47,482	225,721	11,136	11,287	5,110	300,736
Additions	1,996	-	-	9,465	-	11,461
Disposals	-	-	-	-	-	-
September 30, 2017	49,478	225,721	11,136	20,752	5,110	312,197

Accumulated Depreciation	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Total \$
October 1, 2015	44,397	163,597	10,048	8,994	3,227	230,263
Depreciation	8,737	18,638	326	688	377	28,766
Disposals	(31,806)	-	-	-	-	(31,806)
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	-	-	-	-	-	-
September 30, 2017	33,097	195,281	10,603	12,707	4,056	255,744

Carrying value	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Total \$
October 1, 2015	1,180	62,124	1,088	2,293	1,883	68,568
October 1, 2016	26,154	43,486	762	1,605	1,506	73,513
September 30, 2017	16,381	30,440	533	8,045	1,054	56,453

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10. PATENTS

Patents are comprised of the following:

	Safe-T-Sensor	Patents	Total
Cost	\$	\$	\$
October 1, 2015	66,681	45,688	112,369
Additions (Disposals)	-	-	-
October 1, 2016	66,681	45,688	112,369
Additions (Disposals)	-	-	-
September 30, 2017	66,681	45,688	112,369

	Safe-T-Sensor	Patents	Total
Accumulated amortization	\$	\$	\$
October 1, 2015	66,681	23,331	90,012
Amortization (Disposals)	-	7,456	7,456
October 1, 2016	66,681	30,787	97,468
Amortization (Disposals)	-	4,470	4,470
September 30, 2017	66,681	35,257	101,938

	Safe-T-Sensor	Patents	Total
Carrying value	\$	\$	\$
October 1, 2015	-	22,357	22,357
October 1, 2016	-	14,901	14,901
September 30, 2017	-	10,431	10,431

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11. 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 option 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 20% of the number of issued and outstanding common shares of the Company, at the date of the most recent shareholder approval, on a non-diluted basis, being stock options at September 30, 2017 of 10,330,163 (2016 – 8,381,670). At September 30, 2017, the Company had 3,616,163 (2016 – 2,152,670) stock options available for issuance.

c) Contributed surplus

Contributed surplus is comprised of the following:

	2017	2016
	\$	\$
Stock options	2,392,753	2,232,075
Broker warrants	129,512	23,680
	2,522,265	2,255,755

Stock option activity for the years ended September 30, 2017 and September 2016 were as follows:

	2017		2016	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Balance, beginning of year	\$ 0.22	6,229,000	\$ 0.20	3,834,000
Transactions during the year				
Granted	\$ 1.07	2,025,000	\$ 0.24	2,945,000
Forfeited	\$ -	-	\$ 0.29	(200,000)
Exercised	\$ 0.23	(2,375,000)	\$ 0.18	(350,000)
Outstanding, end of year	\$ 0.51	5,879,000	\$ 0.22	6,229,000
Exercisable, end of year	\$ 0.27	4,129,000	\$ 0.22	5,314,000

Pioneering Technology Corp.
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11. SHARE CAPITAL (CONT'D)

c) Contributed surplus (cont'd)

The following table provides additional information about the outstanding stock options as at September 30, 2017

Exercise Price	2017			2016		
	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	1,114,000	2.00	1,114,000	1,344,000	3.00	1,344,000
\$0.25	-	-	-	1,440,000	0.57	1,440,000
\$0.15 - \$0.25	-	-	-	500,000	2.60	500,000
\$0.22	2,240,000	3.50	2,240,000	2,445,000	4.50	1,630,000
\$0.29 - \$0.33	500,000	3.47	500,000	500,000	4.75	400,000
\$1.07	2,025,000	4.92	275,000	-	-	-
	5,879,000	3.70	4,129,000	6,229,000	3.14	5,314,000

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

	2017	2016
	\$	\$
Administration	435,753	430,647
Sales and marketing	68,009	85,646
Research and development	11,576	70,501
	515,338	586,794

For stock options granted during the years ended September 30, 2017 and 2016, the fair value has been determined using the Black-Scholes option pricing model and the following weighted average assumptions:

	2017	2016
Risk-free interest rate	1.53%	0.61%
Estimated life of options (years)	5.00	5.00
Expected volatility	151%	168%
Expected dividends	\$ -	\$ -
Market price of shares at date of issuance	\$ 1.07	\$ 0.24
Exercise price of options	\$ 1.07	\$ 0.24
Dividend yield	0%	0%

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11. SHARE CAPITAL (CONT'D)

d) Private placement

On March 22, 2017 and April 20, 2017, the Company completed a private placement of 5,995,631 common shares and 2,997,815 warrants for total gross proceeds of \$6,595,194. Each Warrant entitles the holder to purchase one Common Share at a price of \$1.80 for a period of 24 months following closing of the Offering, provided that if, at any time after 12 months following the closing date of the Offering, the volume weighted average trading price of the Common Shares on the TSXV over any 15 consecutive trading day period is at least \$2.50, the Company will have the right to accelerate the expiry date of the Warrants to a date that is 15 calendar days after the date on which the Company issues a press release announcing the accelerated expiry date.

The Underwriter received (i) a cash commission equal to 7.0% of the gross proceeds raised in the Offering, and (ii) non-transferrable broker warrants ("Broker Warrants") equal to 7.0% of the aggregate number of Units issued pursuant to the Offering. Each Broker Warrant is exercisable into one Unit at the Issue Price for a period of 24 months following closing of the Offering.

For the warrants issued in this 2017 private placement and the 2016 private placement, the following assumptions were used to calculate the derivative liability resulting from each warrants placement on date of issuance:

	2017	2016
Risk-free interest rate	0.77%	0.58%
Estimated life of options (years)	2.00	1.50
Expected volatility	115%	133%
Expected dividends	\$ -	\$ -
Market price of shares at date of issuance	\$ 1.10	\$ 0.18
Exercise price of options	\$ 1.80	\$ 0.25
Dividend yield	0%	0%

For the warrants issued in this 2017 private placement, the following assumptions were used to calculate the derivative liability as of September 30, 2017:

	2017
Risk-free interest rate	1.51%
Estimated life of options (years)	1.48
Expected volatility	82%
Expected dividends	\$ -
Market price of shares at date of issuance	\$ 1.01
Exercise price of options	\$ 1.80
Dividend yield	0%

In 2017, 201,097 broker warrants (2016 - 254,080) were issued as compensation for services rendered by the broker on the private placement. Each broker warrant is exercisable for one share of the Company at an exercise price of \$1.80 (2016 - \$0.25). The fair value of the services provided was recorded as an increase in share issuance cost and contributed surplus in equity for \$105,832 (2016 - \$23,680).

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11. SHARE CAPITAL (CONT'D)

d) Private placement (cont'd)

During the fourth quarter of 2016, the Company changed its functional currency from Canadian dollars to U.S. dollars. The warrants issued in the Company's private placement have been reclassified as financial liabilities on the statement of financial position in 2016 because the Company's warrants, that were issued to subscribers as part of the private placement, do not meet the criteria in IAS 32, Financial Instruments: Presentation ("IAS 32") for classification as equity. Upon the change in functional currency, the derivative liability is recognized at fair value, which resulted in an increase in deficit of \$1,452,758. The fair value movement in future reporting periods are to be recognized in the statement of income and comprehensive (loss) income.

e) Warrants

During the year ended September 30, 2017, 5,422,763 (2016 – 910,197) warrants were exchanged for common shares at a price of \$0.25 (2016 - \$0.22) per share. The weighted-average share price on the date of exercise was \$1.05 at a fair value of \$4,135,450. As at September 30, 2017, 2,997,815 warrants were outstanding (2016 – 5,343,883).

12. COMMITMENTS AND CONTINGENCIES

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	46,664
	<u>46,664</u>

Under the terms of the lease, the Company is also responsible for its proportionate share of common area maintenance costs, including realty taxes.

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

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13. INCOME TAXES

The significant components of income tax expense are as follows:

	2017	2016
	\$	\$
Current income tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	184,323	343,950
Recognition of previously unrecognized deductible temporary differences	(49,040)	-
Recognition of previously unrecognized tax losses	(1,082,598)	(1,013,950)
	(947,315)	(670,000)

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is included in the following table.

	2017	2016
	\$	\$
(Loss) income before income taxes	(702,261)	718,962
Combined basic Canadian corporate income tax rate	26.5%	26.5%
Income tax expense (recovery) based upon the above rate	(186,099)	190,525
Income tax on stock-based compensation	136,565	155,500
Income tax on stock issuance cost	(134,129)	-
Non-deductible expenses and other	367,986	(2,075)
Recognition of previously unrecognized deductible temporary differences	(49,040)	-
Recognition of previously unrecognized tax losses	(1,082,598)	(1,013,950)
	(947,315)	(670,000)

The Canadian statutory income tax rate of 26.5% (2016 – 26.5%) comprises the federal income tax rate at approximately 15% (2016– 15%) and the provincial income tax rate of approximately 11.5% (2016 – 11.5%).

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13. INCOME TAXES (CONT'D)

Significant components of the Company's deferred income tax assets and liabilities comprise the following:

	2017	2016
	\$	\$
Deferred income tax assets		
Operating losses carried forward	1,434,575	2,238,512
Share issuance costs	167,523	36,207
Other	15,217	12,833
	1,617,315	2,287,552
Less: Unrecognized temporary differences	-	(1,617,552)
Net deferred tax assets	1,617,315	670,000

The Company offsets tax assets and tax liabilities if and only if it has a legal enforceable right to set off current tax assets and current tax liabilities or the deferred tax assets and deferred tax liabilities and they relate to taxes levied by the same tax authority.

The benefit of the following temporary differences has not been recognized in the financial statements:

	2017	2016
	\$	\$
Non-capital losses	-	5,918,915
Other	-	185,056
Total unrecognized temporary differences	-	6,103,971

As at September 30, 2017, 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 has 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
	5,413,492

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14. 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 September 30, 2017. The following comprises trade and other receivables:

	2017	2016
	\$	\$
HST recoverable	110,314	23,094
Trade accounts receivable, net of allowance	2,326,511	2,374,038
	2,436,825	2,397,132

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

	2017	2016
	\$	\$
Less than 1 month	2,219,418	560,126
31-60 days	122,307	1,635,919
61-90 days	3,648	84,114
Over 90 days	96,452	121,973
Total trade accounts receivable	2,441,825	2,402,132
Less: Allowance for doubtful accounts	5,000	5,000
Net trade accounts receivable	2,436,825	2,397,132

15. 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:

	2017	2016
	\$	\$
Trade payables	470,175	811,840
Other accrued liabilities	461,409	93,363
	931,584	905,203

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

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16. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Related party transactions and balances are as follows:

	2017	2016
	\$	\$
Type of payment:		
Key management salaries and contingent compensation	844,443	373,500
Value of key management stock options	63,651	241,267
Value of director stock options	183,994	-
Key management compensation	1,092,088	614,767
Financing expenses	-	84,186
Amounts due from related parties at year end	162,500	-
Amounts due to related parties at year end	30,455	153,677

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.

17. 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 years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Canada	12%	19%
United States	88%	81%
	100%	100%

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

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18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

In 2017, the Company has reclassified prior year's installation costs and freight out expenses (previously included in warehousing expenses) of \$294,929 to cost of goods sold. These reclassifications did not impact previously reported net income or cash flow in any period.

	Previously Reported	Reclassification	Restated
Revenue	6,644,252	-	6,644,252
Cost of goods sold	2,214,204	294,929	2,509,133
Gross profit	4,430,048	(294,929)	4,135,119
Expenses and other	3,041,086	(294,929)	2,746,157
Net Income	1,388,962	-	1,388,962

19. SUBSEQUENT EVENTS

On December 15, 2017, the Company entered into a binding offer-to-lease agreement for a 10-year lease of a new facility for the purposes of relocating their current head office and warehousing facilities. The total rent commitment for the 10-year period is \$1,701,176.