



## **Pioneering Technology Corp.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**August 31, 2020**

This Management Discussion and Analysis (“MD&A”) is prepared as at August 31, 2020 and should be read in conjunction with the unaudited condensed interim financial statements and related notes of Pioneering Technology Corp. (“Pioneering” or the “Company”) for the three and nine month periods ended June 30, 2020, along with the audited annual financial statements and related notes of the Company for year ended September 30, 2019, each of which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”). All figures are in Canadian dollars unless stated otherwise. Additional information relevant to the Company’s activities can be found on the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

#### **Non-IFRS Measures**

In addition to disclosing results in accordance with IFRS, the Company also provides supplementary non-IFRS measures as a method of evaluating the Company’s performance.

##### *Adjusted EBITDA*

Management uses Adjusted EBITDA as a measure of enterprise-wide performance. Adjusted EBITDA is defined as net income (loss) for the year plus income tax expense, fair value movement - derivative liability, depreciation of property and equipment, amortization of patents and intangibles, stock based compensation, unrealized foreign exchange, interest and guarantee fee and other non-recurring gains or losses including transaction costs related to acquisitions. Management believes Adjusted EBITDA is a useful measure that facilitates period-to-period operating comparisons. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS. Readers are cautioned that Adjusted EBITDA is not an alternative to measures determined in accordance with IFRS and should not, on its own, be construed as an indicator of performance, cash flow or profitability.

##### *Tariff Adjusted EBITDA*

Tariff Adjusted EBITDA, defined as Adjusted EBITDA adjusted for tariff and tariff related costs, is used by management to measure operating performance of the Company and is a supplement to our unaudited condensed interim financial statements presented in accordance with IFRS. Tariff Adjusted EBITDA is a helpful measure of operating performance, similar to Adjusted EBITDA, enabling management and investors to gain a clearer understanding of the underlying financial performance of the Company without the impact of U.S. Section 301 tariffs and related costs. While management considers Tariff Adjusted EBITDA a meaningful measure for assessing the underlying financial performance of the Company, Tariff Adjusted EBITDA is a non-IFRS measure and does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

## **Corporate Overview**

### **Vision:**

To be the leader in cooking fire prevention technologies to save lives and homes.

### **Mission:**

To be North America's leader in cooking fire prevention technologies and protect people and property from the leading cause of household fire – cooking fires.

The Company's business is focused on cooking fire prevention and the Company's product innovations also help end users save energy and deliver a return on investment. All of the Company's intellectual property is protected by patents, patents pending or trademarks. The Company's business model is to sell its proprietary technologies and products through third party distribution channel partnerships and/or to license its technologies to original equipment manufacturers ("OEMs").

### **The Problem:**

Cooking fires are the number one cause of household fires globally. In the United States cooking is the cause of 48% of all reported home fires. This equates to approximately 172,000 cooking related structure fires and \$1.1 billion in direct property damage annually. Indirect costs are more than \$7 billion. (*Source: National Fire Protection Association www.nfpa.org*). Of the 172,000 cooking fires reported to the fire service each year in the U.S. there are, on average, an additional 4.7 million cooking fires that go unreported. (*Source: Consumer Product Safety Commission*). Cooking fires have increased as a percentage of overall household fires from 20% in 1980 to 48% today. Cooking fires continue to be a significant problem in the U.S. and around the world.

### **The Solutions:**

The Company's product solutions help reduce cooking fires and false alarms by helping prevent these types of fires from beginning. They also reduce energy consumption and deliver a proven return on investment. Its two primary products - SmartBurner and Safe-T-element - use patented "temperature limiting control" (TLC) technology. This technology has been recognized by the fire prevention community as a compelling technology able to help prevent cooking fires and to help solve the multi-billion-dollar cooking fire problem better than any other technology available on the market today. These product/technology solutions at present include:

The **Safe-T-element® (STE)** cooking system, engineered to help prevent stovetop cooking fires on electric coil stoves before they start due to its temperature limiting control (TLC) technology. The product is available as a professionally installed aftermarket solution or pre-equipped on new ranges and is sold to multi-residential channels and institutions throughout North America.

**Smart Burner™ (SB)** is an easy to install (plug and play) version of the STE that delivers all the benefits of the STE but doesn't require a professional installation.

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

**RangeMinder™ (RM)** is an easy to install consumer electronic product for gas and electric smooth top ranges, engineered to help prevent unattended cooking, the number one cause of cooking fires. The RangeMinder was commercialized in 2015 and is currently available for sale online via Pioneering's e-commerce site.

**SmartRange™ (SR)** Pioneering has partnered with Innohome OY of Finland to gain access to Innohome's award-winning heat sensor technology, which complements Pioneering's current portfolio of cooking fire prevention solutions. This product is now available in the aftermarket for electric smooth top ranges. It is engineered to help alert users to imminent danger and will shut the stove off to help prevent auto-ignition from occurring.

**New Products:**

Pioneering is focused on developing and commercializing new product opportunities to expand beyond the electric coil market and bring product solutions to its channel partners that will drive incremental revenue. The Company's goal is to deliver a cooking fire prevention solution for both the OEM and the aftermarket for all stovetop cooking platforms (electric coil, ceramic glass top, induction, gas) and microwave ovens.

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## Overall Performance

Revenue during the quarter decreased approximately 19% to \$822,321 as compared to \$1,013,362 in Q3, 2019. For the nine months ended June 30, 2020, revenue is up 73% to \$5,538,263 versus \$3,201,780 during the same period last year. This strong revenue performance means that in the first nine months of fiscal 2020 the Company has surpassed the total revenue generated in all of fiscal 2019 (\$3,941,621) by 41%.

While revenue, gross profits and Adjusted EBITDA have all significantly increased in fiscal 2020 relative to the comparable period in fiscal 2019, gross profit margin during the third quarter of fiscal 2020 declined versus the same quarter in fiscal 2019. This was due to the impact of tariffs imposed by the United States on the products produced in China and sold in the United States and special incentives and discounts offered to some customers as part of these customers' commitment to make recurring purchases. These special incentives and discounts to select customers will be discontinued at end of this fiscal year. Gross profit margin Q3 2020 YTD is 42% as compared to 56% vs Q3 YTD 2019.

The COVID-19 pandemic and U.S. tariffs on Chinese made goods present ongoing short-term challenges, but the Company has a strong sales pipeline and balance sheet and a plan going forward to strengthen gross margins which it expects will allow it to manage these challenges and take advantage of new opportunities while continuing to invest in new product development and meet customer demand.

## 2020 Strategic Objectives

The Company's 2020 strategic plan is focused on the following four key objectives aimed at improving its financial results in the short term and positioning the Company for continued growth:

- 1. Build the Right Sales Model.** In order to maximize revenue growth, the Company intends to build a sales structure and model that is focused on end customer lead generation, closing deals, installations, and customer service.
- 2. Leverage Relationship with Leading Distributor (HD Supply (HDS) USA) to Drive Growth.** HDS is the Company's most important distributor and provides access to multiple sales channels. To aggressively grow revenue and execute against its new sales structure and model Pioneering intends to devote significant resources to its relationship with HDS to train sales personnel, build product awareness with HDS sales personnel and end-customers, and leverage the HDS network to generate end-customer leads/introductions. The Company will then use its experience with HDS to create more efficient and effective relationships with other distributors.
- 3. Drive B2B Awareness of the Cooking Fire Problem & Pioneering Solutions.** The Company will focus on building B2B customer awareness of the cooking fire problem and its solutions. The Company also intends to leverage B2B customer traffic to generate additional sales opportunities.
- 4. Develop Additional Cooking Fire Prevention Products.** The Company will seek to generate additional revenue opportunities by expanding its portfolio of cooking fire prevention products and appliances.

## Results of Operations

### *Impact of U.S. Tariffs*

As indicated below, although the Company has achieved significant year-over-year revenue growth during the nine months ended June 30, 2020, profitability has been adversely affected by the impact of U.S. tariffs.

The Company manufactures its products in China and most of its sales are in the United States. Although the U.S. tariffs have been in place for some time, until the second quarter of fiscal 2020 they had not had any significant impact on the Company. This is because the Company built up a significant stockpile of inventory located in the United States prior to the imposition of the tariffs. As a result, until fiscal 2020 the Company did not need to import products into the U.S. to satisfy SmartBurner orders and was therefore not subject to the tariffs on sales of that inventory. The Company's U.S. based SmartBurner inventory was exhausted late in the first quarter of fiscal 2020. Since then, the Company has been importing inventory from Canada to satisfy the significant increase in sales during the year. These sales were subject to a 25% tariff payable by the Company, resulting in an increased cost of goods sold ("COGS") of \$46,313 in the current quarter and \$418,028 year-to-date. The Company continues to maintain some U.S. based inventory of non-SmartBurner products but going forward U.S. based SmartBurner orders will continue to be satisfied with imported inventory.

Pioneering is currently working with the various industry participants and legal counsel to pursue a potential exemption from these tariffs on the basis of the uniqueness of its products, their public safety benefits and the fact that many of the Company's customers in the U.S. are governmental agencies funded by U.S. taxpayers.

However, there can be no assurance that the Company will be successful in having its products exempted from the tariffs, nor can there be any assurance that the U.S. government will choose to reduce or eliminate the tariffs. As a result, the Company has assumed that it will continue to pay the tariffs for the foreseeable future and is exploring cost reduction opportunities to offset the impact of these tariffs that can be implemented in the short-term including:

- Investigating cost reduction opportunities with our manufacturing partners.
- Managing operating expenses and limiting those that do not directly contribute to sales growth or impact product development.
- Eliminating special volume incentives and discount programs.
- Passing on incremental costs to customers through negotiated price increases.

While the Company expects that it will be able to implement some combination of these measures to help mitigate the consequences of the tariffs, there can be no assurance of the extent to which they will offset the entire impact of the U.S. tariffs on the Company's costs and profitability.

### ***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

Revenue decreased by approximately 19% to \$822,231 for the three months ended June 30, 2020 versus \$1,013,362 for the three months ended June 30, 2019. This decrease was primarily the result of COVID-19 which forced the Company's customers to focus on implementing safety and sanitation measures at their properties to protect tenants and staff. This created delays in purchases and installations of the company's products during the quarter, the majority of which are now expected to occur in Q4 2020.

At the start of 2020, the Company agreed to provide special incentives and discounts to certain customers in connection with large volume purchase commitments pursuant to which the customer would purchase and install across multiple properties in phases over the course of the year. During the third quarter of fiscal 2020 these arrangements resulted in a total of \$36,045 in discounts and revenues are reported net of this amount. During the period, standard sales incentives offered to partner distributors in the normal course of business (e.g., early payment discounts, volume rebates and market development funds) reduced revenue by \$53,214. While these programs result in lower gross margins, they have also helped drive revenue growth in 2020 year to date.

During the three months ended June 30, 2020, the Company's cost of goods sold ("COGS") as a percentage of revenue increased to 63%. This compares to an average COGS of 51% over the past several quarters. The increase in COGS was mainly due to the impact of U.S. tariffs on products manufactured in China and imported for sale in the United States as well as the Company's first-in, first-out ("FIFO") approach to inventory costing. Increased COGS negatively affected gross profit margins during the period. If the impact of these two items is removed, COGS for the period as a percentage of revenue would have been 48%.

As indicated above, U.S. tariffs increased COGS in the third quarter by \$46,300.

The shipment of Canadian based inventory and a price increase imposed by the Company's Chinese SmartBurner supply partner in 2018 (i.e., COGS of the majority of the previously stockpiled inventory reflected the lower prices at which the Company acquired that inventory from its supply partner) resulted in higher second quarter COGS. Because of the Company's FIFO accounting method, these higher supply costs immediately impacted COGS in the third quarter of fiscal 2020 in the amount of \$41,000.

Gross profit for the three months ended June 30, 2020 was down approximately 45% to \$300,838 as compared to gross profit of \$545,700 during the three months ended June 30, 2019. Excluding tariffs of \$46,300, gross profit was down \$198,562, approximately 36% during the three-month period ended June 30, 2019. Gross margin for the period was 37%, compared to 54% in the same period last year. This decrease is due to the combination of U.S. tariffs, special incentives and rebates, normal course incentives and inventory costing as described above.

During the three months ended June 30, 2020, the Company continued to focus on controlling its operating costs while investing appropriately for future growth. During the period, the Company incurred approximately \$853,315 in expenses a 35% decline vs \$1,294,059 in the same period last year. The Company continues to invest in building out its distributor network and in product development. The Company intends to continue to invest judiciously in sales and marketing to help grow revenue in the B2B channel via its distributor network, will seek to control expenses in other areas that do not directly impact revenue generation or new product development and will continue to aggressively protect its business when and as required.

Net loss for the period was \$(602,939) versus a loss of \$(747,328) in the same period last year, an improvement

of approximately 19%. Adjusted EBITDA for the three-month period ending June 30, 2020 was \$(457,131), a decrease of 29% from Adjusted EBITDA of \$(354,195) in the same period last year. Tariff Adjusted EBITDA for the three-month period ending June 30, 2020 was \$(410,818), a decline of 16% from Tariff Adjusted EBITDA of \$(354,195) in the same period last year (which was the same as Adjusted EBITDA for that period).

### ***Nine Months Ended June 30, 2020 Compared to Nine Months Ended June 30, 2019***

For the nine months ended June 30, 2020, revenue was \$5,538,263, up approximately 73% versus \$3,201,780 for the same period a year ago. Revenue was reduced by special customer incentives and discounts of \$559,941 and increased normal course incentives (due to higher sales volumes) of \$220,697.

During the nine months ended June 30, 2020, COGS as a percentage of revenue increased to 58% from the average of 45% over the past several quarters, mainly as a result of U.S. tariffs (\$418,027) and the impact of the Company's FIFO inventory accounting method (\$198,000).

Gross profit for the nine months ended June 30, 2020 was up approximately 30% to \$2,316,436 as compared to gross profit of \$1,785,213 during the nine months ended June 30, 2019. Excluding tariffs of \$418,027, gross profit was \$2,734,463 up approximately 53% during the nine-month period ended June 30, 2019. Gross margin for the period was 42%, compared to 56% in the same period last year. This decrease is due to the combination of special incentives and rebates, normal course incentives, U.S. tariffs and inventory costing as described above.

For the nine months ended March 31, 2020, total expenses were \$2,696,680, representing a decrease of \$1,063,382 or 28% from the same period last year. This decrease can be attributed to the Company's effort to control expenses in areas that do not directly impact revenue generation or new product development while continuing to invest in sales and marketing to help grow revenue in the B2B channel via its distributor network.

Net loss for the period was \$(538,220) versus a loss of \$(1,974,472) in the same period last year, an improvement of approximately 73%. Adjusted EBITDA for the nine months ended June 30, 2020 was \$2,252, an improvement of 100% from Adjusted EBITDA of \$(1,202,757) in the same period last year. Tariff Adjusted EBITDA for the nine-month period ending June 30, 2020 was \$420,280, an improvement of 135% from Tariff Adjusted EBITDA of \$(1,202,757) in the same period last year (which was the same as Adjusted EBITDA for that period).

## **COVID-19 UPDATE**

During March 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, a pandemic resulting in worldwide emergency measures to combat the spread of the virus. These measures, which include self-quarantine period, have caused disruption to businesses globally, which are resulting in an economic slowdown and uncertainties potentially affecting the Company’s cash flows, financial condition and results of operations. It is not possible to reliably estimate the length or effect of these developments due to uncertainties including the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities and central banks to contain COVID-19 or to treat its impact.

Although Pioneering currently expects that its strong sales performance will continue into the fourth quarter of fiscal 2020, it did see a decline in product shipments in Q3 2020 due to COVID-19. It is not possible to reliably estimate the impact of the pandemic on the Company’s financial results or operations in future periods, although distributors and end customers have reiterated their commitment to complete the projects previously identified for completion in fiscal 2020 that were interrupted in Q3 due to COVID-19.

The pandemic has triggered a number of economic and social responses aimed at reducing the spread of COVID-19, including the closure of restaurants and self-isolation and “work from home” measures. These changes have significantly increased the amount of home cooking and, as a consequence, cooking related fires. This has increased awareness of the problem and the need for solutions to reduce the risk of cooking fires. Pioneering believes that these circumstances provide an opportunity for it to strengthen the profile of its products and to attract new customers.

In Q3 the pandemic continued to affect the Company’s supply chain temporarily interrupting its supply of product. However, the Company believes it has now resolved these temporary issues and currently expects that its product supply will be sufficient to satisfy the anticipated demand for the remainder of fiscal 2020 and into 2021. Any future supplier disruptions could create delays in the Company’s ability to fulfill customer orders on a timely basis.

During the quarter the Company applied for government assistance under the Canada Employment Wage Subsidy (“CEWS”). The Company qualified for \$71,148 in subsidies under the plan during the eligibility period of March 15 through June 6, 2020. These subsidies helped offset payroll expenses included in sales and marketing, administration and research and development costs.

The Company continues to have a strong pipeline. Customers who had indicated their intentions to purchase and install the Company’s products during the third quarter of fiscal 2020 have generally re-iterated their commitment to these installations in fiscal Q4 2020.

## Adjusted EBITDA

The Company has provided a reconciliation of Adjusted EBITDA to IFRS net income in the following table. Adjusted EBITDA is defined as net income (loss) for the year plus income tax expense, fair value movement - derivative liability, depreciation of property and equipment, amortization of patents and intangibles, stock based compensation, unrealized foreign exchange, interest and guarantee fee and other non-recurring gains or losses including transaction costs related to acquisitions. Management believes Adjusted EBITDA is a useful measure that facilitates period-to-period operating comparisons.

	Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine months ended June 30, 2019
Net (loss) income	(602,939)	(747,328)	(538,220)	(1,974,472)
Fair value movement	23,592	(1,079)	76,133	(615)
Amortization of tangible assets	54,628	37,133	163,716	110,740
Amortization of intangible assets	6,282	6,659	18,296	19,741
Stock based compensation	34,436	50,372	133,197	168,632
Interest and guarantee fees	26,870	48	81,843	238
Litigation expense	-	300,000	-	472,979
Non-recurring legal costs	-	-	67,287	-
<b>Adjusted EBITDA</b>	<b>(457,131)</b>	<b>(354,195)</b>	<b>2,252</b>	<b>(1,202,757)</b>

## Tariff Adjusted EBITDA

The Company has provided a reconciliation of Tariff Adjusted EBITDA to Adjusted EBITDA in the following table. Tariff Adjusted EBITDA is defined as Adjusted EBITDA adjusted for tariff and tariff related costs.

	Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine months ended June 30, 2019
Adjusted EBITDA	(457,131)	(354,195)	2,252	(1,202,757)
Tariffs and tariff related costs	46,313	-	418,028	-
<b>Tariff Adjusted EBITDA</b>	<b>(410,818)</b>	<b>(354,195)</b>	<b>420,280</b>	<b>(1,202,757)</b>

## Selected Quarterly Results

For the Quarters Ended (\$'000's)								
	Fiscal 2020			Fiscal 2019				Fiscal 2018
	June 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sep 30 2018
Revenues	822.3	2,514.8	2,201.2	739.8	1,013.4	914.5	1,273.9	780.7
Gross Profit	300.8	848.7	1,166.9	450.0	545.7	533.1	706.4	376.8
Expenses	853.3	1,030.0	813.4	1,149.4	1,288.0	997.4	1,456.1	1,570.4
Interest & Other Expenses	26.8	27.1	27.9	18.1	5.1	6.6	(6.5)	26.5
Income (Loss)	(602.9)	(260.0)	324.7	(1,881.3)	(747.3)	(470.9)	(756.2)	(1,580.7)
Earnings (loss) per share (basic)	(0.01)	-	0.01	(0.03)	(0.01)	(0.01)	(0.01)	(0.03)
Earnings (loss) per share (diluted)	(0.01)	-	0.01	(0.03)	(0.01)	(0.01)	(0.01)	(0.03)

### **Changes in Accounting Policies including Initial Adoption**

The Company describes the effect of changes in accounting policies in Note 2 of its condensed interim financial statements for the period ended December 31, 2019. Future changes in accounting policies are also covered in Note 2.

### **Liquidity, Capital Management**

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

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

The Company has historically relied on equity and debt financing as well as cash generated by ongoing operations to fund its capital requirements.

The Company expects that its existing cash on hand, together with cash generated from operations and availability under its existing revolving demand facility, will be sufficient to fund its working capital requirements for fiscal 2020 and to fund future planned growth and development activities.

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

There were no changes in the Company's approach to capital management during the quarter.

## Disclosure of Outstanding Share Information

The following table sets forth information concerning the issued securities of the Company as at **REPORT DATE**.

Description	Number
<b>Common Shares:</b>	
Balance at the beginning of the year	56,041,746
Issued in Fiscal 2020	-
Common Shares Outstanding Balance	56,041,746
<b>Warrants:</b>	
Balance at the beginning of the year	2,997,815
Issued in Fiscal 2020	-
Exercised in Fiscal 2020	-
Warrants Outstanding Balance	2,997,815
<b>Stock Options:</b>	
Balance at the beginning of the year	3,815,000
Issued in Fiscal 2020	3,425,000
Exercised in Fiscal 2020	-
Forfeited in Fiscal 2020	(95,000)
Stock Options Outstanding Balance	7,145,000

## Contingencies and Commitments

As at **REPORT DATE**, management is not aware of any material liabilities, contingent or otherwise, that have not been recorded in financial statements of the Company as at December 31, 2019. 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.

## Related Party Transactions

Related party transactions and balances are as follows:

	June 30, 2020	June 30, 2019
	\$	\$
Type of payment:		
Key management salaries and contingent compensation	97,250	97,250
Director's fees	2,250	3,250
Value of key management stock options	7,278	17,518
Value of director stock options	5,094	-
Key management compensation	111,872	118,018
Amounts due to related parties at quarter end	11,802	26,292

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.

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

<b>Issuance Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>June 30 2020</b>
		<b>\$</b>	<b>Number Outstanding</b>
April 2016	April 2021	\$0.22	1,490,000
August 2017	August 2022	\$1.07	650,000
February 2020	February 2025	\$0.14	2,100,000
			<u>4,240,000</u>

## **Management's Responsibility for Financial Information**

The unaudited condensed interim financial statements ("financial statement") of the Company and all the information in this report are the responsibility of management and the Board of Directors.

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

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

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

## **Risks and Uncertainties**

Readers should consider the risks and other information included in the Company's audited financial statements and related notes for the year-ended September 30, 2019.