



**Pioneering Technology Corp.**

**Unaudited Condensed Interim Financial Statements**

For the three and nine months ended June 30, 2020 and 2019

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

*"Kevin Callahan"*

*"Richard Adair"*

**Kevin Callahan**  
**CEO**

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

August 31, 2020

**Pioneering Technology Corp.**

Condensed Interim Statements of Financial Position

As at June 30, 2020

(Unaudited)

Expressed in Canadian Dollars

	Note	June 30, 2020	September 30, 2019
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		3,780,373	1,930,945
Trade and other receivable	14	605,771	423,815
Inventories	6	1,835,020	4,281,612
Prepaid expenses and deposits		569,612	88,656
		<b>6,790,776</b>	<b>6,725,028</b>
Property and equipment	9	1,912,362	826,572
Patents and intangibles	10	65,460	72,752
<b>TOTAL ASSETS</b>		<b>8,768,598</b>	<b>7,624,352</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	15	1,236,872	1,004,677
Derivative liability		76,349	216
Current portion of lease obligations	2,8	54,890	-
		<b>1,368,111</b>	<b>1,004,893</b>
Other long-term liabilities		-	353,617
Long-term lease obligations	2,8	1,462,472	-
<b>TOTAL LIABILITIES</b>		<b>2,830,583</b>	<b>1,358,510</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common share capital	11(a)	17,974,857	17,974,857
Preferred shares	11(a)	1	1
Contributed surplus	11(c)	2,116,630	2,060,719
Accumulated other comprehensive loss		(40,988)	(118,183)
Deficit		(14,112,485)	(13,651,552)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,938,015</b>	<b>6,265,842</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>8,768,598</b>	<b>7,624,352</b>
Commitments and Contingencies	12		
Subsequent Event	18		
Approved by:			
<i>"Kevin Callahan"</i>		<i>"Richard Adair"</i>	
<b>Kevin Callahan</b>		<b>Richard Adair</b>	
Director		Director	

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

**Pioneering Technology Corp.**

Condensed Interim Statements of Loss and Comprehensive Loss  
For the three and nine months ended June 30, 2020 and 2019  
(Unaudited)

Expressed in Canadian Dollars

	Note	June 30, 2020	Nine Months Ended June 30, 2019	June 30, 2020	Three Months Ended June 30, 2019
		\$	\$	\$	\$
<b>REVENUE</b>		<b>5,538,263</b>	3,201,780	<b>822,321</b>	1,013,362
<b>COST OF GOODS SOLD</b>		<b>3,221,827</b>	1,416,567	<b>521,483</b>	467,662
<b>GROSS PROFIT</b>		<b>2,316,436</b>	1,785,213	<b>300,838</b>	545,700
<b>EXPENSES</b>					
Sales and marketing	11(c)	1,170,816	1,302,722	360,054	451,443
Administration	11(c)	1,138,123	1,836,728	284,886	734,397
Warehousing, distribution and warranty costs		101,920	235,809	19,918	62,852
Foreign exchange loss (gain)		(61,020)	105,413	91,442	(34,510)
Research and development costs	11(c)	164,829	148,909	36,105	36,085
Depreciation of property and equipment	9	163,716	110,740	54,628	37,133
Amortization of patents and intangibles	10	18,296	19,741	6,282	6,659
<b>TOTAL EXPENSES</b>		<b>2,696,680</b>	3,760,062	<b>853,315</b>	1,294,059
<b>LOSS BEFORE INTEREST AND GUARANTEE FEE, FAIR VALUE MOVEMENT - DERIVATIVE LIABILITY AND INCOME TAXES</b>		<b>(380,244)</b>	(1,974,849)	<b>(552,477)</b>	(748,359)
Interest and guarantee fee		(81,843)	(238)	(26,870)	(48)
Fair value movement - derivative liability		(76,133)	615	(23,592)	1,079
<b>LOSS BEFORE INCOME TAXES</b>		<b>(538,220)</b>	(1,974,472)	<b>(602,939)</b>	(747,328)
Income tax recovery		-	-	-	-
<b>LOSS FOR THE PERIOD</b>		<b>(538,220)</b>	(1,974,472)	<b>(602,939)</b>	(747,328)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Currency translation differences (may be subsequently reclassified to net income)		77,195	116,952	(84,277)	(84,071)
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(461,025)</b>	(1,857,520)	<b>(687,216)</b>	(831,399)
Loss per share - basic		\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.01)
Loss per share - diluted		\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.01)
Comprehensive loss per share - basic		\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.01)
Comprehensive loss per share - diluted		\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding					
Outstanding - basic		56,041,746	56,041,746	56,041,746	56,041,746
Outstanding - fully diluted		56,041,746	56,041,746	56,041,746	56,041,746

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

**Pioneering Technology Corp.**

## Condensed Interim Statements of Changes in Equity

For the three and nine months ended June 30, 2020 and 2019

(Unaudited)

Expressed in Canadian Dollars

	Note	Common shares		Preferred shares		Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total Equity \$
		Number	Amount	Number	Amount				
<b>Balance, October 1, 2019</b>		<b>56,041,746</b>	<b>\$ 17,974,857</b>	<b>20,533,133</b>	<b>\$ 1</b>	<b>2,060,719</b>	<b>(118,183)</b>	<b>(13,651,552)</b>	<b>6,265,842</b>
Stock-based compensation expense	11	-	-	-	-	133,197	-	-	133,197
Stock options forfeited	11	-	-	-	-	(77,286)	-	77,286	-
Comprehensive income (loss) for the year		-	-	-	-	-	77,195	(538,220)	(461,025)
<b>Balance, June 30, 2020</b>		<b>56,041,746</b>	<b>\$ 17,974,857</b>	<b>20,533,133</b>	<b>\$ 1</b>	<b>\$ 2,116,630</b>	<b>\$ (40,988)</b>	<b>\$ (14,112,486)</b>	<b>\$ 5,938,014</b>

	Note	Common shares		Preferred shares		Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total Equity \$
		Number	Amount	Number	Amount				
<b>Balance, October 1, 2018</b>		<b>56,041,746</b>	<b>\$ 17,974,857</b>	<b>20,533,133</b>	<b>\$ 1</b>	<b>3,683,410</b>	<b>(342,594)</b>	<b>(11,490,077)</b>	<b>9,825,597</b>
Stock-based compensation expense	11	-	-	-	-	168,632	-	-	168,632
Stock options forfeited	11	-	-	-	-	(509,767)	-	509,767	-
Comprehensive income (loss) for the year		-	-	-	-	-	116,952	(1,974,472)	(1,857,520)
<b>Balance, June 30, 2019</b>		<b>56,041,746</b>	<b>\$ 17,974,857</b>	<b>20,533,133</b>	<b>\$ 1</b>	<b>\$ 3,342,275</b>	<b>\$ (225,642)</b>	<b>\$ (12,954,782)</b>	<b>\$ 8,136,709</b>

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

**Pioneering Technology Corp.**

## Condensed Interim Statements of Cash Flows

For the three and nine months ended June 30, 2020 and 2019

(Unaudited)

Expressed in Canadian Dollars

	June 30, 2020	Nine Months Ended June 30, 2019	June 30, 2020	Three Months Ended June 30, 2019
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Loss for the quarter	<b>(538,220)</b>	(1,974,472)	<b>(602,939)</b>	(747,328)
<b>Items not affecting cash</b>				
Depreciation of property and equipment	<b>163,716</b>	110,740	<b>54,628</b>	37,133
Amortization of patents and intangibles	<b>18,296</b>	19,741	<b>6,282</b>	6,659
Fair value movement - derivative liability	<b>76,133</b>	(615)	<b>23,592</b>	(1,079)
Interest expense on lease liability	<b>80,599</b>	-	<b>26,697</b>	-
Stock-based compensation expenses	<b>133,197</b>	168,632	<b>34,436</b>	50,372
	<b>(66,279)</b>	(1,675,974)	<b>(457,304)</b>	(654,243)
Change in non-cash working capital balances				
Trade and other receivables	<b>(181,956)</b>	561,131	<b>287,025</b>	342,962
Inventories	<b>2,446,592</b>	(219,604)	<b>397,030</b>	452,008
Prepaid expenses and deposits	<b>(480,957)</b>	166,010	<b>(470,440)</b>	51,474
Trade payables and accrued liabilities	<b>259,070</b>	(24,595)	<b>(266,443)</b>	(7,390)
Other long-term liabilities	-	(3,183)	-	(5,242)
	<b>1,976,470</b>	(1,196,215)	<b>(510,132)</b>	179,569
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<b>(76,422)</b>	(36,299)	<b>(2,326)</b>	(7,026)
Purchase of patents and intangibles	<b>(11,004)</b>	(12,467)	-	-
	<b>(87,426)</b>	(48,766)	<b>(2,326)</b>	(7,026)
<b>FINANCING ACTIVITIES</b>				
Repayment of lease liability	<b>(116,811)</b>	-	<b>(38,937)</b>	-
	<b>(116,811)</b>	-	<b>(38,937)</b>	-
<b>NET CHANGE IN CASH DURING IN THE PERIOD</b>	<b>1,772,233</b>	(1,244,981)	<b>(551,395)</b>	172,543
Foreign currency movement in cash balances	<b>77,195</b>	116,952	<b>(84,277)</b>	(84,071)
<b>CASH - BEGINNING OF PERIOD</b>	<b>1,930,945</b>	3,668,360	<b>4,416,045</b>	2,451,859
<b>CASH - END OF PERIOD</b>	<b>3,780,373</b>	2,540,331	<b>3,780,373</b>	2,540,331

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

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements

For the three and nine months ended June 30, 2020 and 2019

(Unaudited)

*(Expressed in Canadian Dollars)*

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**1. NATURE OF OPERATIONS**

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

Pioneering is a public company listed on the TSX Venture Exchange (TSX-V: PTE). The Company's principal place of business is located at 7-2400 Skymark Ave., Mississauga, Ontario, Canada, L4W 5K5. The Company's website is [www.pioneeringtech.com](http://www.pioneeringtech.com).

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

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

**2.1 Statement of compliance**

These financial statements, including comparative balances for the quarter ended June 30, 2020, 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"), including IAS 34, Interim Financial Reporting. The financial statements were approved and authorized by the Board of Directors of the Company on August 31, 2020.

**2.2 Adoption of new accounting standard****IFRS 16 – Leases**

Pioneering has initially adopted International Financial Reporting Standards 16, Leases ("IFRS 16") from October 1, 2019.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Pioneering has applied IFRS 16 with a date of initial application of October 1, 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at October 1, 2019. Under this approach, Pioneering has not restated comparative information presented for 2018. Comparative information for 2018 is presented as previously reported under IAS 17 and related interpretations. Pioneering has changed its accounting policy for lease contracts as detailed below.

**A. Definition of a lease**

Previously, Pioneering determined at contract inception whether an arrangement is or contains a lease under International Financial Reporting Interpretations Committee 4, Determining Whether an Arrangement contains a Lease ("IFRIC 4"). Under IFRS 16, Pioneering assesses whether a contract is or contains a lease based on the new definition of a lease provided in IFRS 16. IFRS 16 provides that a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

### 2.2 Adoption of new accounting standard (cont'd)

On transition to IFRS 16, Pioneering elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine whether they met the IFRS 16 definition of a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after October 1, 2019.

At inception or on reassessment of a contract that contains a lease component, in which Pioneering is a lessee, Pioneering allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

#### B. As a lessee

Pioneering previously classified leases as operating or finance leases. Pioneering assessed whether a lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to Pioneering, in which case it was classified as a finance lease and recognized on the balance sheet. Payments made under operating leases were recognized in net income on a straight-line basis over the term of the lease (i.e. they were off-balance sheet). Under IFRS 16, Pioneering recognizes right-of-use assets and lease liabilities for most leases - i.e. leases are on-balance sheet.

On transition to IFRS 16, Pioneering elected to apply recognition exemptions for short-term leases (i.e. leases with terms less than 12 months or entered into on a month-to-month basis) and leases of IT equipment that are considered to be low-dollar value leases. For leases of other assets, which were classified as operating leases under IAS 17, Pioneering recognized right-of-use assets and lease liabilities.

#### i. Significant Accounting Policy

Policy applicable from October 1, 2019

Pioneering recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. Subsequent to initial application, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. In comparison, the lease liability is increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Pioneering has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether Pioneering is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

#### ii. Transition of leases classified as operating leases under IAS 17

At transition from IAS 17 to IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at Pioneering's incremental borrowing rate as at October 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements

For the three and nine months ended June 30, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

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

### 2.2 Adoption of new accounting standard (cont'd)

#### C. Impacts on financial statements

##### i. Impact on transition

On transition to IFRS 16, Pioneering recognized \$1,553,574 of right-of-use assets and lease liabilities.

When measuring lease liabilities, Pioneering discounted lease payments using its incremental borrowing rate at October 1, 2019. The incremental borrowing rate was 7.00%.

Leasehold improvements at September 30, 2019	\$ 766,365
Adjustment (1)	<u>(380,490)</u>
Leasehold improvements at October 1, 2019	<u>\$ 385,875</u>

(1) Adjustment relates to the lease incentive previously recorded as Other long-term liabilities.

Right-of-use asset at October 1, 2019	<u>\$ 1,553,574</u>
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Operating lease commitments as September 30, 2019	\$ 1,524,716
Adjustment (2)	949,036
Impact of discounting using the incremental borrowing rate	<u>(920,178)</u>
Lease liability recognized at October 1, 2019	<u>\$ 1,553,574</u>

(2) Adjustment relates to the impact of judgment applied with regard to leases in which Pioneering is a lessee that include renewal options.

##### ii. Current period impact

As a result of the initial adoption of IFRS 16 and Pioneering recognizing right-of-use assets in the amount of \$1,553,574, during the nine months ended June 30, 2020, there was depreciation expense of \$84,230 related to these assets. Due to the addition of lease liabilities at the present value of their lease payments, during the nine months ended June 30, 2020, Pioneering recognized interest costs of \$80,599 related to these liabilities.

### 2.3 Pending accounting changes

#### IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 was issued in June 2017 as a clarification to requirements under IAS 12, Income Taxes. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods on or after January 1, 2019. The Company is currently assessing the impact of IFRIC 23 may have on its financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those for the year-end September 30, 2019 financial statements.

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

#### 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.

The following are management's key judgements:

- 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;
- Determination of variable consideration – judgment is exercised in estimating variable consideration which is determined having regard to past experience with respect to the product returned to the Company where the customer maintains a right of return pursuant to the customer contract or where the product has a variable component. Revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- Recovery of deferred income tax assets – assessing whether the realization of tax losses against future taxable income is probable.
- Discount rate of lease liability - the lease liability is measured at the present value of expected lease payments and discounted using the interest rate implicit in the lease, unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. The Company determines its incremental borrowing rate as the rate of interest it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. This requires significant estimates and assumptions from management that may have an impact on the interim financial statements.

### 4. CAPITAL MANAGEMENT

The Company defines capital as total shareholders' equity and long-term debt excluding other long-term liabilities. 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 quarter ended June 30, 2020.

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements

For the three and nine months ended June 30, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

**5. FINANCIAL INSTRUMENTS**

Financial instruments, by classification, comprise the following:

	Fair value hierarchy	June 30, 2020	September 30, 2019
		\$	\$
<b>Financial assets</b>			
<i>Amortized cost</i>			
Cash		3,780,373	1,930,945
Trade receivables		605,771	423,815
<b>Financial liabilities</b>			
<i>Amortized cost</i>			
Trade payables and accrued liabilities		1,236,874	1,004,677
<i>Fair value through profit or loss</i>			
Derivative liability	Level 2	76,349	216

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 trade receivable and arises from the possibility that any counterparty to an instrument fails to perform. The Company has adopted a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. All of the Company's customers are located in either Canada or the United States. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer. As at June 30, 2020, the Company's maximum exposure to credit risk was the carrying value of cash and trade 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 a representative estimate of expected credit losses using the simplified approach.

The Company's trade receivables are concentrated among customers in the distribution and retail industry. As at June 30, 2020, two customers accounted for greater than 10% of the Company's accounts receivable balance. In total, these customers accounted for 65% of the Company's accounts receivable balance as at June 30, 2020 (2019 – 57%).

**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.

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements

For the three and nine months ended June 30, 2020 and 2019

(Unaudited)

*(Expressed in Canadian Dollars)*

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**5. FINANCIAL INSTRUMENTS (CONT'D)****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 the following:

**Foreign currency risk**

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. The Company's CAD monetary balances consist of the following:

	<b>June 30, 2020</b>	September 30, 2019
	\$	\$
Cash	<b>68,095</b>	104,684
Trade and other receivable	<b>115,533</b>	116,932
Trade payables and accrued liabilities	<b>879,603</b>	928,360

A sensitivity analysis is presented below on its exposure to foreign currency risk on the CAD.

**Interest rate risk**

The Company invests cash, surplus to its operational needs, in investment grade short term deposit certificates issued by the Canadian chartered bank where it keeps its operating accounts. The Company is exposed to interest rate risk arising from fluctuations in the bank's prime rate related to its bank indebtedness. With all other factors held constant, a 1% fluctuation in the bank's prime rate would not have a significant impact on the Company's 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.

**Pioneering Technology Corp.**

Condensed Interim Notes to the Financial Statements

For the three and nine months ended June 30, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

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

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 where the Company has significant exposure. The analysis assumes that other variables remain constant.

	Income effect of a 10% increase in foreign exchange rates on translation of CAD monetary balances	Loss effect of a 10% decrease in foreign exchange rates on translation of CAD monetary balances
CAD	\$ 69,597	\$ (69,597)

**6. INVENTORIES**

Inventories are comprised of finished goods only.

**7. BANK INDEBTEDNESS**

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

**8. LEASE LIABILITY**

	June 30, 2020	September 30, 2019
	\$	\$
Property and office space lease bearing interest at an estimated rate of 7%. The lease extends through fiscal 2033.	1,517,362	-
Less: current portion	(54,890)	-
	<b>1,462,472</b>	<b>-</b>

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**9. PROPERTY AND EQUIPMENT**

Property and equipment are comprised of the following:

<b>Cost</b>	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Right of use assets \$	Total \$
October 1, 2018	69,542	338,104	75,381	20,752	735,026	-	1,238,805
Additions	11,205	12,797	1,380	-	9,807	-	35,189
Disposals	-	-	-	-	-	-	-
Net currency translation	-	-	-	-	21,532	-	21,532
October 1, 2019	80,747	350,901	76,761	20,752	766,365	-	1,295,526
Adoption of IFRS 16	-	-	-	-	(380,490)	1,553,574	1,173,084
Additions	-	70,928	-	-	5,494	-	76,422
Disposals	-	-	-	-	-	-	-
<b>June 30, 2020</b>	<b>80,747</b>	<b>421,829</b>	<b>76,761</b>	<b>20,752</b>	<b>391,369</b>	<b>1,553,574</b>	<b>2,545,032</b>

<b>Accumulated Depreciation</b>	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Right of use assets \$	Total \$
October 1, 2018	41,319	225,128	12,369	15,121	23,358	-	317,295
Depreciation	17,240	37,671	19,249	1,689	73,657	-	149,506
Disposals	-	-	-	-	-	-	-
Net currency translation	-	-	-	-	2,153	-	2,153
October 1, 2019	58,559	262,799	31,618	16,810	99,168	-	468,954
Depreciation	7,489	35,781	10,157	887	25,171	84,231	163,716
Disposals	-	-	-	-	-	-	-
<b>June 30, 2020</b>	<b>66,048</b>	<b>298,580</b>	<b>41,775</b>	<b>17,697</b>	<b>124,339</b>	<b>84,231</b>	<b>632,670</b>

<b>Carrying value</b>	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles \$	Leasehold improvements \$	Right of use assets \$	Total \$
October 1, 2018	28,223	112,976	63,012	5,631	711,668	-	921,510
October 1, 2019	22,188	88,102	45,143	3,942	667,197	-	826,572
<b>June 30, 2020</b>	<b>14,699</b>	<b>123,249</b>	<b>34,986</b>	<b>3,055</b>	<b>267,030</b>	<b>1,469,343</b>	<b>1,912,362</b>

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**10. PATENTS AND INTANGIBLES**

Patents and intangibles are comprised of the following:

<b>Cost</b>	Safe-T-Sensor \$	Trademarks \$	Patents \$	Website \$	Total \$
October 1, 2018	66,681	44,231	45,688	27,584	184,184
Additions	-	-	-	20,800	20,800
Disposals	-	-	-	-	-
October 1, 2019	66,681	44,231	45,688	48,384	204,984
Additions	-	-	-	11,004	11,004
Disposals	-	-	-	-	-
<b>June 30, 2020</b>	<b>66,681</b>	<b>44,231</b>	<b>45,688</b>	<b>59,388</b>	<b>215,988</b>

<b>Accumulated amortization</b>	Safe-T-Sensor \$	Trademarks \$	Patents \$	Website \$	Total \$
October 1, 2018	66,681	1,102	38,388	691	106,862
Amortization	-	12,939	2,190	10,241	25,370
Disposals	-	-	-	-	-
October 1, 2019	66,681	14,041	40,578	10,932	132,232
Amortization	-	6,797	1,149	10,350	18,296
Disposals	-	-	-	-	-
<b>June 30, 2020</b>	<b>66,681</b>	<b>20,838</b>	<b>41,727</b>	<b>21,282</b>	<b>150,528</b>

<b>Carrying value</b>	Safe-T-Sensor \$	Trademarks \$	Patents \$	Website \$	Total \$
October 1, 2018	-	43,129	7,300	26,893	77,322
October 1, 2019	-	30,190	5,110	37,452	72,752
<b>June 30, 2020</b>	<b>-</b>	<b>23,393</b>	<b>3,961</b>	<b>38,106</b>	<b>65,460</b>

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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 options plan**

The Company has a stock option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the underlying directors' resolution approving the issuance and have a maximum life of five years. The plan allows for the issuance of up to 11,208,349 common shares of the Company. At June 30, 2020, the Company had 940,849 (September 30, 2019 - 3,392,663) stock options available for issuance.

**c) Contributed surplus**

Contributed surplus is comprised of the following:

	June 30, 2020	September 30, 2019
	\$	\$
Stock options	1,987,118	1,931,207
Broker warrants	129,512	129,512
	<b>2,116,630</b>	<b>2,060,719</b>

Stock option activity for the three months ended June 30, 2020 and 2019 were as follows:

	June 30, 2020		June 30, 2019	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Balance, beginning of period	\$ 0.30	7,145,000	\$ 0.47	4,839,000
Transactions during the period				
Granted	\$ -	-	\$ -	-
Forfeited	\$ -	-	\$ -	-
Exercised	\$ -	-	\$ -	-
Outstanding, end of period	\$ 0.30	7,145,000	\$ 0.47	4,839,000
<b>Exercisable, end of period</b>	<b>\$ 0.35</b>	<b>5,370,000</b>	<b>\$ 0.41</b>	<b>4,401,500</b>

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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 June 30, 2020:

Exercise Price	June 30, 2020			September 30, 2019		
	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable
\$0.22	1,870,000	0.75	1,870,000	1,890,000	1.50	1,890,000
\$0.29	200,000	0.87	200,000	200,000	1.62	200,000
\$0.33	300,000	0.61	300,000	300,000	1.36	300,000
\$1.07	950,000	2.16	950,000	1,425,000	2.92	1,425,000
\$0.14	3,825,000	4.65	2,050,000	-	-	-
	<b>7,145,000</b>	<b>3.52</b>	<b>5,370,000</b>	<b>3,815,000</b>	<b>2.02</b>	<b>3,815,000</b>

Stock-based compensation expense for the nine months ended June 30, 2020 and 2019 was allocated to the financial statements as follows:

	June 30, 2020	September 30, 2019
	\$	\$
Stock options	1,987,118	1,931,207
Broker warrants	129,512	129,512
	<b>2,116,630</b>	<b>2,060,719</b>

**d) Warrants**

During the quarter ended June 30, 2020, no warrants (2019 – nil) were exchanged for common shares (2019 - \$0.00 per share). As at June 30, 2020, 2,997,815 warrants were outstanding (2019 – 2,997,815).

**12. COMMITMENTS AND CONTINGENCIES**

Pioneering leases its premises under a non-cancellable operating lease that expires in July 2028. Under the terms of the lease, the Company is 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 quarter-end, no provision has been recorded in connection with this claim.

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**13. INCOME TAXES**

As at June 30, 2020, 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 June 30, 2020, the Company has not recognized \$9,840,217 of the tax losses. These non-capital losses expire as follows:

	\$
2027	313,370
2028	1,424,300
2029	579,685
2031	106,628
2032	813,981
2033	1,269,404
2034	854,465
2038	2,462,781
2039	2,015,603
	<b>9,840,217</b>

**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 June 30, 2020. The following comprises trade and other receivables:

	June 30, 2020	September 30, 2019
	\$	\$
HST recoverable	<b>65,166</b>	38,179
Trade accounts receivable, net of allowance	<b>540,605</b>	385,636
	<b>605,771</b>	423,815

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**14. TRADE AND OTHER RECEIVABLES (CONT'D)**

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

	June 30, 2020	September 30, 2019
	\$	\$
Less than 1 month	259,439	295,036
31-60 days	67,251	75,903
61-90 days	7,352	9,101
Over 90 days	211,563	10,596
Total trade accounts receivable	545,605	390,636
Less: Allowance for doubtful accounts	5,000	5,000
Net trade accounts receivable	540,605	385,636

**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:

	June 30, 2020	September 30, 2019
	\$	\$
Trade payables	864,327	286,180
Other accrued liabilities	372,547	718,497
	1,236,874	1,004,677

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

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

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.

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**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 periods ended June 30, 2020 and 2019 are as follows:

	<b>June 30, 2020</b>	June 30, 2019
Canada	<b>4%</b>	9%
United States	<b>96%</b>	91%
	<b>100%</b>	100%

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

**18. SUBSEQUENT EVENTS**

During the quarter ended March 31, 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 second half of fiscal 2020, it has seen a decline in product shipments in the third fiscal quarter of 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.