



Pioneering Technology Corp.

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

**For the three and nine months ended June 30, 2021
and 2020**

August 30, 2021

This Management Discussion and Analysis ("MD&A") is prepared as at August 30, 2021 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 period ended June 30, 2021, along with the audited annual financial statements and related notes of the Company for year ended September 30, 2020, 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.

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. Pioneering has installed over 1.2 million of its TLC burners to date without a single confirmed cooking fire. These product/technology solutions help protect people and properties.

Overall Performance

Revenue increased by approximately 2% to \$837,929 for the three months ended June 30, 2021 versus \$822,321 for the three months ended June 30, 2020. Net loss for the period was \$(208,500) versus a net loss of \$(602,939) in the same period last year. Adjusted EBITDA for the three-month period ended June 30, 2021 was \$(170,052), versus Adjusted EBITDA of \$(457,131) in the same period last year and Tariff Adjusted EBITDA for the three-month period ended June 30, 2021 was \$(110,777), versus Tariff Adjusted EBITDA of \$(410,818) in the same period last year.

Revenue decreased by approximately 46% to \$2,981,799 for the nine-month period ended June 30, 2021 versus \$5,538,263 for the nine-month period ended June 30, 2020. Net loss for the nine-month period was \$(1,032,218) versus net loss of \$(538,220) for the same period last year. Adjusted EBITDA for the nine-month period ended June 30, 2021 was \$(864,458), versus Adjusted EBITDA of \$2,252 in the same period last year. Tariff Adjusted EBITDA for the nine-month period ended June 30, 2021 was \$(661,665), versus Tariff Adjusted EBITDA of \$420,280 in the same period last year.

While revenue, gross profits and Adjusted EBITDA had increased significantly in fiscal 2020 as compared to fiscal 2019, this was largely due to a strong first half of 2020. The Company's financial performance began to decline in the second

half of 2020 as a result of the impact from the COVID-19 pandemic (“COVID-19” or the “Pandemic”). This trend has extended into fiscal 2021 as COVID-19 continues to adversely affect the Company’s business.

Gross profit during the nine-months ended June 30, 2021 was higher versus the same period last year (44% as compared to 42%) due to initiatives implemented by the Company to offset the impact of tariffs imposed by the United States on products produced in China and sold in the United States as well as the impact of pricing increases from the Company’s supply partners.

The COVID-19 pandemic and U.S. tariffs on Chinese made goods present ongoing challenges, but the Company has a strong balance sheet, a sales pipeline and a plan going forward to continue improving gross profit 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 increasing customer demand.

Results of Operations

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 did not significantly impact the Company. This was due to a significant stockpile of inventory located in the United States, acquired prior to the imposition of these 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 was 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 exported existing inventory from Canada and imported new inventory from China to satisfy customer demand. Sales of these products to U.S. customers were subject to a 25% tariff payable by the Company, resulting in an increase in cost of goods sold (“COGS”) of \$59,275 in the current quarter and \$202,793 for the nine-months ended June 30, 2021.

Pioneering continues to work with its legal counsel in the U.S. to pursue a potential exemption from these tariffs based on a similar exclusion recently recognized by the U.S. Customs and Border Patrol Service. However, there can be no guarantee that the Company will either be successful in obtaining such an exemption or the fact that the U.S. government will choose to reduce or eliminate these tariffs. As a result, the Company has assumed that it will continue to pay the tariffs for the foreseeable future and is exploring and implementing initiatives to offset the impact of these tariffs including:

- Cost reduction discussions with its manufacturing partners.
- Managing operating expenses and limiting those that do not directly contribute to sales growth or contribute to new product development.
- Eliminating special volume incentives and discount programs.
- Negotiated price increases with its key distributors, which were effective January 1, 2021.

While the Company expects that these measures will help to mitigate the consequences of the tariffs and improve its gross profit in 2021, 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, 2021, Compared to Three Months Ended June 30, 2020

Revenue increased by approximately 2% to \$837,929 for the three months ended June 30, 2021 versus \$822,321 for the three months ended June 30, 2020. COVID-19 began adversely affecting the company's revenue in the third quarter of 2020. The pandemic and its eventual shutdown forced many of the Company's end-customers to focus on implementing COVID-19 and other related safety measures at their properties to protect tenants and staff. This has created delays in capital expenditures related to purchases and installations of the Company's products over the past five quarters.

During the first quarter of 2021, special incentives to end customers were discontinued, however, 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 \$47,359 during the three month period ended June 30, 2021. While these programs contributed to lower gross profits, they also contributed towards sales growth during the Pandemic.

Gross profit for the three months ended June 30, 2021 was \$350,155 or 42% of revenues as compared to gross profit of \$300,838 or 37% of revenues during the three months ended June 30, 2020. This increase in gross margin as a percentage of sales is due to the combination of U.S. tariffs, standard sales incentives and FIFO inventory costing which have been offset by the Company's initiatives to eliminate special volume incentives and discount programs as well as negotiated price increases on its products.

During the three months ended June 30, 2021, the Company incurred approximately \$537,386 in expenses a 37% decrease compared to \$853,315 in the same period last year. The decrease in expenses can be attributable primarily to ongoing cost curtailment measures undertaken by management to address challenges faced due to the impact of COVID-19.

Net loss for the period was \$(208,500) versus a net loss of \$(602,939) in the same period last year. Adjusted EBITDA for the three-month period ended June 30, 2021 was \$(170,052), versus Adjusted EBITDA of \$(457,131) in the same period last year and Tariff Adjusted EBITDA for the three-month period ended June 30, 2021 was \$(110,777), versus Tariff Adjusted EBITDA of \$(410,818) in the same period last year.

Nine Months Ended June 30, 2021 Compared to Nine Months Ended June 30, 2020

Revenue decreased by approximately 46% to \$2,981,799 for the nine months ended June 30, 2021 versus \$5,538,263 for the nine months ended June 30, 2020. The decline was primarily due to the impact of COVID-19. Further, 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 \$125,892.

Gross profit for the nine months ended June 30, 2021 was \$1,302,281 as compared to gross profit of \$2,316,436 during the nine months ended June 30, 2020. This was due to decline in revenues offset by lower expenses due to cost curtailment measures implemented by management.

During the nine months ended June 30, 2021, the Company incurred approximately \$2,270,172 in expenses a 16% decrease vs \$2,696,680 in the same period last year.

Net loss for the period was \$(1,032,218) versus net loss of \$(538,220) in the same period last year. Adjusted EBITDA for the nine-month period ended June 30, 2021 was \$(864,458), versus Adjusted EBITDA of \$2,252 in the same period last year and Tariff Adjusted EBITDA for the nine-month period ended June 30, 2021 was \$(661,665), versus Tariff Adjusted EBITDA of \$420,280 in the same period last year.

COVID-19 PANDEMIC & GOVERNMENT GRANTS

The outbreak of COVID-19 has resulted in worldwide emergency measures to combat the spread of the virus. These measures, including significant restrictions on commercial activity, have caused massive disruption to businesses globally, resulting in a broad-based and global economic slowdown.

The Company has introduced appropriate measures, procedures, and protocols to foster the health and safety of its employees, vendors, and customers. These measures are based on the Company's health and safety policies as well as the recommendations from public health authorities. These enhanced protocols include travel restrictions, workplace hygiene practices, employee case tracking, additional personal protective equipment, limited access to facilities, and alternative work options for employees where possible.

The Pandemic has exposed the Company's operations to various risks which include but are not limited to, delay in customer shipments, increase in operating costs, interruption of project work, credit risk associated with customer non-payment, access to financing and change in the timing of cash flows.

During the period ended June 30, 2021, the Company's operations continued to be significantly impacted. The extent to which COVID-19 may further impact the Company's operations, its financial position, and performance remains uncertain, and will depend on further developments, including the duration and spread of the outbreak, its impact on the Company's customers, suppliers and employees and actions taken by governments. Management continues to closely monitor the situation in the jurisdictions in which the Company operates.

Canada Emergency Wage Subsidy ("CEWS")

In April 2020, the Government of Canada announced CEWS in order to help employers keep and/or return Canadian-based employees to payrolls in response to challenges posed by the COVID-19 pandemic.

During the nine-month period ended June 30, 2021, the Company determined that it met the employer eligibility criteria and applied for CEWS between October 2020 and June 2021 and as a result, recognized \$185,609 in government grants under the payroll support program.

Canada Emergency Rent Subsidy ("CERS")

In September 2020, the Government of Canada announced CERS in order to provide relief for commercial tenants in response to challenges posed by the COVID-19 pandemic.

During the nine-month period ended June 30, 2021, the Company determined that it met the tenant eligibility criteria and applied for CERS for the program between October 2020 and June 2021 and as a result, recognized \$111,168 in government grants under the rent subsidy program.

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.

	<u>For the three months ended June 30,</u>		<u>For the nine months ended June 30,</u>	
	2021	2020	2021	2020
Net income (loss) for the period	\$ (208,500)	\$ (602,939)	\$ (1,032,218)	\$ (538,220)
Fair value movement - derivative liability	-	23,592	(1,236)	76,133
Depreciation of property and equipment	52,411	54,628	157,232	163,716
Amortization of patents and intangibles	4,438	6,282	13,315	18,296
Stock based compensation	665	34,436	1,994	133,197
Unrealized foreign exchange gain	(40,335)	-	(69,108)	-
Interest expense	21,269	26,870	65,563	81,843
Non-recurring legal costs	-	-	-	67,287
Adjusted EBITDA	\$ (170,052)	\$ (457,131)	\$ (864,458)	\$ 2,252

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.

	<u>For the three months ended June 30,</u>		<u>For the nine months ended June 30,</u>	
	2021	2020	2021	2020
Adjusted EBITDA	\$ (170,052)	\$ (457,131)	\$ (864,458)	\$ 2,252
Tariff and tariff related costs	59,275	46,313	202,793	418,028
Tariff Adjusted EBITDA	\$ (110,777)	\$ (410,818)	\$ (661,665)	\$ 420,280

Selected Quarterly Results

	<u>For the Quarters Ended (\$'000's)</u>							
	<u>Fiscal 2021</u>			<u>Fiscal 2020</u>				<u>Fiscal 2019</u>
	<u>Jun 30</u> <u>2021</u>	<u>Mar 31</u> <u>2021</u>	<u>Dec 31</u> <u>2020</u>	<u>Sep 30</u> <u>2020</u>	<u>Jun 30</u> <u>2020</u>	<u>Mar 31</u> <u>2020</u>	<u>Dec 31</u> <u>2019</u>	<u>Sep 30</u> <u>2019</u>
Revenues	837.9	1,037.8	1,106.1	1,002.3	822.3	2,514.8	2,201.2	739.8
Gross Profit	350.2	521.5	430.6	357.6	300.8	848.7	1,166.9	450.0
Expenses	537.4	650.3	1,082.5	768.9	853.3	1,030.0	813.4	1,123.5
Interest & Other Expenses	21.3	21.5	21.6	(66.3)	50.5	78.7	28.8	(4.0)
Income (Loss)	(208.5)	(150.3)	(673.4)	(345.0)	(602.9)	(260.0)	324.7	(1,881.3)
Earnings (loss) per share (basic)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	0.01	(0.03)
Earnings (loss) per share (diluted)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	0.01	(0.03)

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 bringing 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 where necessary, availability under its existing revolving demand facility, will be sufficient to fund its working capital requirements for fiscal 2021 and to fund future planned growth and development activities. As at June 30, 2021, the Company had \$1.6m in cash on hand, which was an increase of \$0.3m during the three months ended June 30, 2021.

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 August 30, 2021.

Description	Number
Common Shares:	
Balance at the beginning of the year	56,041,746
Issued in Fiscal 2021	-
Common Shares Outstanding Balance	56,041,746
Warrants:	
Balance at the beginning of the year	2,997,815
Expired in Fiscal 2021	(2,997,815)
Warrants Outstanding Balance	-
Stock Options:	
Balance at the beginning of the year	7,145,000
Issued in Fiscal 2021	-
Forfeited in Fiscal 2021	(1,050,000)
Expired in Fiscal 2021	(2,070,000)
Stock Options Outstanding Balance	4,025,000

Contingencies and Commitments

As at August 30, 2021, management is not aware of any material liabilities, contingent or otherwise, that have not been recorded in financial statements of the Company as at June 30, 2021. 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, 2021	June 30, 2020
Type of payment:		
Compensation	\$ 56,250	\$ 97,250
Short-term employee benefits	5,826	11,652
Post-employment benefits	1,688	1,688
Stock based compensation	-	12,372
Directors fees	683	2,250
	64,447	125,212
Amounts due to related parties at quarter end	\$ 1,966	\$ 11,802

The amounts due to related parties are included in the trade payables and accrued liabilities. The Company defines Key Management as its CEO, President 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:

Issuance Date	Expiry Date	Exercise Price	June 30 2021 Number Outstanding
August 2017	August 2022	\$1.07	500,000
February 2020	February 2025	\$0.14	1,700,000
			<u>2,200,000</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, 2020.