



Pioneering Technology Corp.

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

January 28, 2021

This Management Discussion and Analysis (“MD&A”) is prepared as at January 28, 2021 and should be read in conjunction with the audited financial statements and related notes of Pioneering Technology Corp. (“Pioneering” or the “Company”) for the year ended September 30, 2020, along with the audited 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.

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 expense 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 audited 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 that protect people and properties at present include:

The **Safe-T-element® (STE) (or Smart Element)** 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 does not require professional installation. This product is targeted to multi-residential channels but is also available to consumers at retail or online.

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.

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 fire prevention technologies and product opportunities to bring product solutions to its channel partners and end customers that will provide safety and drive incremental revenue growth. The Company's goal is to deliver cooking fire prevention solutions for both the OEM and the aftermarket for all stovetop cooking platforms (electric coil, ceramic glass top, induction, gas), microwave ovens, and other common household appliances that endanger people and properties and cost billions of dollars annually.

Overall Performance

Revenue was up approximately 66% to \$6,540,550 in fiscal 2020 as compared to revenue of \$3,941,621 in fiscal 2019. Loss for the year was \$(883,267) versus a loss of \$(3,855,738) in 2019. Adjusted EBITDA was \$(352,862), an improvement from Adjusted EBITDA of \$(1,778,035) in 2019. Tariff Adjusted EBITDA was \$163,777 compared to Tariff Adjusted EBITDA in 2019 of \$(1,778,035).

While revenue, gross profit and Adjusted EBITDA have all significantly increased in fiscal 2020 relative to fiscal 2019, gross profit margin during fiscal 2020 declined versus 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 were discontinued at end of fiscal 2020. Gross profit margin for fiscal 2020 was 41% as compared to 57% in fiscal 2019.

The COVID-19 pandemic and U.S. tariffs on Chinese made goods presented challenges for the Company during the second half of fiscal 2020 after a very strong first six months. It is expected that these challenges may persist for the immediate term as the second wave of the pandemic hit North America in the fall of 2020 and we await mass distribution of vaccines. In addition, US tariffs on Chinese goods are expected to remain in place for the time being notwithstanding the results of the recent US Presidential election. However, the Company has a plan to address both of these issues and 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 increasing customer need and demand.

2020 Strategic Objectives

Despite some of the challenges in 2020, the Company made good progress against its 2020 strategic plan which helped deliver significantly improved financial results and has helped position the Company for continued growth:

- 1. Build the Right Sales Model.** In 2020 the Company hired a VP of Sales, with significant tier one consumer product goods sales, operational and logistics experience, to help build a sales structure and model that is focused on revenue growth, end-customer lead generation, closing deals, installations, and customer service. In addition, the Company added significant sales tools (i.e., Salesforce CRM and Bombora's targeted B2B lead generation software) to complement these efforts.
- 2. Leverage Relationship with Leading Distributor (HD Supply USA "HDS") to Drive Growth.** In 2020, the Company focused on building its relationship with HDS, the Company's most important distributor providing access to multiple sales channels. During the period that relationship has become more deeply entrenched. Under the leadership of the Company's new VP of Sales, the Company has also developed deeper relationships with other existing distributors and fostered new relationships with other potential distributors. The Company's experience with HDS is now helping to create more efficient and effective relationships with other/new distributors.
- 3. Drive B2B Awareness of the Cooking Fire Problem & Pioneering Solutions.** In 2020 the Company focused its marketing efforts on B2B customer acquisition and supporting its B2B distributors. The pandemic has created an environment where the cooking fire problem has become an even bigger issue. The Company has had success in building B2B customer awareness of the cooking fire problem and its solutions as demonstrated by the introduction to large customer opportunities that should help fuel the pipeline in 2021.
- 4. Develop Additional Cooking Fire Prevention Products.** The Company made progress on this front in 2020, working with new and existing R&D partners to expand and enhance its portfolio of cooking fire prevention products. And while these initiatives did not contribute to 2020 revenue, they are expected to contribute to additional revenue opportunities in 2021.

2021 Strategic Objectives

The Company's 2021 strategic plan is focused on the following five key objectives aimed at improving its financial results in the short term and positioning the Company for continued growth:

- 1. Improve Gross Margins.** The Company is focused on improving gross margins with a goal of getting back to margin levels previously enjoyed. The Company has developed a multi-faceted plan to do this (as discussed in the Results of Operations section on the next page).
- 2. Build a High Performing Sales Model.** The Company intends to continue to build on and execute against the sales related initiatives it began in 2020 to build a high performing sales model that is focused on distributor acquisition and engagement, end customer lead generation, closing deals, and superior customer service.
- 3. Invest for Growth with Key Distributors.** The Company will continue to invest aggressively in Maintenance, Repair and Operations ("MRO") distributors who provide access to multiple sales channels where the Company's products are relevant. HD Supply USA remains the ideal "partner model" that we have had the most success with and so the Company's focus will be on taking this learning to help entrench with other relevant distributors.
- 4. Drive B2B Awareness of the Cooking Fire Problem & Pioneering Solutions.** The Company will continue to invest in marketing focused on building B2B customer awareness of the cooking fire problem and its solutions. The pandemic has created an environment where the cooking fire problem has become an even bigger issue. Pioneering intends to continue investing in marketing primarily via highly targeted digital marketing to its primary markets and influencers to drive awareness for both the growing problem and its solutions. The Company will also leverage old, new, and existing B2B customer traffic to generate additional sales opportunities.
- 5. Leverage SmartBurner Equity to Enable a Healthy Product Pipeline.** The Company invested in R&D in 2020 and intends to launch new and enhanced cooking fire prevention solutions and products in 2021 to generate additional revenue opportunities. Pioneering's product development plan also includes further development in 2021 to expand its portfolio of fire prevention technologies and products.

Results of Operations

Impact of U.S. Tariffs

As indicated below, although the Company has achieved significant year-over-year revenue growth during fiscal 2020, gross margin and profitability were 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 exported existing inventory from Canada and imported new inventory from China 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 \$516,639 for fiscal 2020. 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 legal counsel in the U.S. to pursue a potential exemption from these tariffs based on a similar exclusion recently recognized by the US Customs and Border Patrol Service.

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 and implementing cost reduction opportunities to offset the impact of these tariffs including:

- Has begun cost reduction discussions with its manufacturing partners.
- The Company will continue to manage operating expenses and limit those that do not directly contribute to sales growth or contribute to new product development.
- As of year-end the Company eliminated special volume incentives and discount programs except under very extraordinary circumstances.
- The Company has negotiated price increases that begin January 1, 2021.

While the Company expects that these measures will help to mitigate the consequences of the tariffs and improve its gross margins 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.

Year Ended September 30, 2020 Compared to Year Ended September 30, 2019

For the year ended September 30, 2020, revenue was \$6,540,550, up approximately 66% versus \$3,941,621 for the same period a year ago. This increase was primarily the result of sales of SmartBurner in the Company's key end-customer channels driven by success with its distribution model, increased category and product awareness from its marketing initiatives, and an increase in cooking fire awareness.

At the start of 2020, the Company agreed to provide special incentives and discounts to two specific 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 fiscal 2020 these arrangements resulted in a total of \$599,665 in discounts and revenues are reported net of this amount. During the year, 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 \$301,341. While these programs result in lower gross margins, they also helped drive revenue growth in 2020.

During the year ended September 30, 2020, the Company's cost of goods sold ("COGS") as a percentage of revenue increased to 59% from 43% last year. 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 year. If the impact of these two items is removed, COGS for the year as a percentage of revenue would have been 48%.

As indicated above, U.S. tariffs increased COGS in the year by \$516,639.

The shipment of Canadian based inventory and a price increase imposed by the Company's Chinese SmartBurner supplier 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 COGS beginning in Q2 2020. Because of the Company's FIFO accounting method, these higher supply costs immediately impacted COGS starting in the second quarter of fiscal 2020 and amounted to \$187,400 during 2020.

Gross profit for the year ended September 30, 2020 was up approximately 20% to \$2,674,008 as compared to gross profit of \$2,235,195 during the year ended September 30, 2019. Excluding tariffs of \$516,639, gross profit was \$3,190,647, up approximately 43% during the year ended September 30, 2020. Gross margin for the period was 41%, compared to 57% 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 year ended September 30, 2020, total expenses were \$3,465,566, representing a decrease of \$1,425,343 or 29% 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 \$(883,267) versus a loss of \$(3,855,738) in the same period last year, an improvement of approximately 77%. Adjusted EBITDA for the year ended September 30, 2020 was \$(352,862), an improvement of 80% from Adjusted EBITDA of \$(1,778,035) in the same period last year. Tariff Adjusted EBITDA for the year ended September 30, 2020 was \$163,777, an improvement of 109% from Tariff Adjusted EBITDA of \$(1,778,035) in the same period last year (which was the same as Adjusted EBITDA for that period).

The Company continues to have a strong sales pipeline. Customers who had indicated their intentions to purchase and install the Company's products in the second half of 2020 have generally re-iterated their commitment to do so in 2021 and new customers are identified regularly as a result of the increase in cooking fires and the Company's increase in advertising activity to build awareness for its product solutions.

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

Revenue increased by approximately 35% to \$1,002,287 for the three months ended September 30, 2020 versus \$739,841 for the three months ended September 30, 2019. While revenue improved year over year during the quarter and the first six months were a very significant improvement, the last half of 2020 was affected significantly by delays in various shipments and installations as a result of COVID-19. In addition, the special incentives and discounts described above resulted in a total of \$39,724 in discounts and revenues are reported net of this amount. During the quarter, standard sales incentives offered to partner distributors in the normal course of business (e.g., early payment discounts, volume rebates and market development funds) amounted to \$79,551 and revenues are reported net of this amount. While these programs result in lower gross margins, they also helped drive revenue growth in 2020.

During the three months ended September 30, 2020, COGS as a percentage of revenue increased to 64% from the average of 50% over the past several quarters, mainly as a result of U.S. tariffs (\$98,611) and the impact of the Company's FIFO inventory accounting method (\$40,340).

Gross profit for the three months ended September 30, 2020 was down approximately 21% to \$357,572 as compared to gross profit of \$449,982 during the three months ended September 30, 2019. Excluding tariffs of \$98,611, gross profit was up \$6,201, approximately 1% during the three-month period ended September 30, 2020. Gross margin for the period was 36%, compared to 61% 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 September 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 \$768,886 in expenses, a 32% decline vs \$1,123,514 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 \$(345,047) versus a loss of \$(1,881,267) in the same period last year, an improvement of approximately 82%. Adjusted EBITDA for the three-month period ending September 30, 2020 was \$(355,114), an increase of 38% from Adjusted EBITDA of \$(575,278) in the same period last year. Tariff Adjusted EBITDA for the three-month period ending September 30, 2020 was \$(256,503), an increase of 55% from Tariff Adjusted EBITDA of \$(575,278) 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 resulted 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 2021, it did see a decline in product shipments in Q3 and Q4 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 the Company’s solutions as a result of the increase in cooking fires due to the restrictions, stay in place measures and work from home solutions that have been implemented by governments and corporations throughout North America.

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 Q4 the pandemic continued to affect the Company’s supply chain temporarily interrupting its supply of product. However, the Company has now resolved these temporary issues and currently expects that its product supply will be sufficient to satisfy the anticipated demand for 2021. Any future supplier disruptions due to COVID-19 could create delays in the Company’s ability to fulfill customer orders on a timely basis.

During the year the Company applied for government assistance under the Canada Employment Wage Subsidy (“CEWS”). The Company qualified for \$175,475 in subsidies under the plan during the eligibility period of March to September 2020. These subsidies helped offset payroll expenses included in sales and marketing, administration and research and development costs.

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 expense 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.

For the year ended September 30	2020	2019
Loss for the year	\$ (883,267)	\$ (3,855,738)
Deferred tax expense	-	1,200,000
Fair value movement - derivative liability	1,020	(841)
Depreciation of property and equipment	231,907	149,506
Amortization of patents and intangibles	24,574	25,370
Stock based compensation	103,009	71,572
Unrealized foreign exchange loss	11,919	12,010
Interest expense	90,689	865
Litigation expense	-	619,221
Non-recurring legal costs	67,287	-
Adjusted EBITDA	\$ (352,862)	\$ (1,778,035)

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.

For the year ended September 30	2020	2019
Adjusted EBITDA	\$ (352,862)	\$ (1,778,035)
Tariff and tariff related costs	516,639	-
Tariff Adjusted EBITDA	\$ 163,777	\$ (1,778,035)

Selected Annual Information

For the Years Ended (\$'000's)			
	Sep 30 2020	Sep 30 2019	Sep 30 2018
Revenue	6,540.6	3,941.6	4,749.5
Income (loss)	(883.3)	(3,855.7)	(3,305.3)
Assets	8,818.0	7,624.4	11,208.6
Non-current liabilities	1,594.9	353.6	350.8
Earnings (loss) per share (basic)	(0.02)	(0.07)	(0.06)
Earnings (loss) per share (diluted)	(0.02)	(0.07)	(0.06)

Selected Quarterly Results

For the Quarters Ended (\$'000's)								
	Fiscal 2020				Fiscal 2019			
	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018
Revenues	1,002.3	822.3	2,514.8	2,201.2	739.8	1,013.4	914.5	1,273.9
Gross Profit	357.6	300.8	848.7	1,166.9	450.0	545.7	533.1	706.4
Expenses	768.9	853.3	1,030.0	813.4	1,123.5	1,294.1	1,009.9	1,463.5
Interest & Other Expenses	(66.3)	50.5	78.7	28.8	(4.0)	(1.0)	5.9	(0.8)
Income (Loss)	(345.0)	(602.9)	(260.0)	324.7	(1,881.3)	(747.3)	(470.9)	(756.2)
Earnings (loss) per share (basic)	(0.02)	(0.01)	-	0.01	(0.04)	(0.01)	(0.01)	(0.01)
Earnings (loss) per share (diluted)	(0.02)	(0.01)	-	0.01	(0.04)	(0.01)	(0.01)	(0.01)

Changes in Accounting Policies including Initial Adoption

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 2019. Comparative information for 2019 is presented as previously reported under IAS 17 and related interpretations. As a result of the adoption of IFRS 16, Pioneering recognized \$1,737,946 of right-of-use assets and lease liabilities on October 1, 2019. During the year ended September 30, 2020, there was depreciation expense of \$125,635 related to these assets and interest costs of \$88,683 related to these liabilities. The Company describes the effect of changes in accounting policies in Note 2 of its financial statements for the year ended September 30, 2020. 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 2021 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 year.

Disclosure of Outstanding Share Information

The following table sets forth information concerning the issued securities of the Company as at January 28, 2021.

Description	Number
Common Shares:	
Balance at the beginning of the year	56,041,746
Issued in Fiscal 2020	-
Common Shares Outstanding Balance	56,041,746
Warrants:	
Balance at the beginning of the year	2,997,815
Issued in Fiscal 2020	-
Exercised in Fiscal 2020	-
Warrants Outstanding Balance	2,997,815
Stock Options:	
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 January 28, 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 September 30, 2020. 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:

	2020	2019
Type of payment:		
Key management salaries and contingent compensation	\$ 425,750	\$ 438,317
Value of key management stock options	39,476	70,072
Value of director stock options	19,738	-
Other	-	49,175
Key management compensation	\$ 484,964	\$ 557,564
Amounts due to related parties at year end	\$ 7,500	\$ 6,980

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:

Issuance Date	Expiry Date	Exercise Price \$	September 30 2020 Number Outstanding
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 financial statements 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.