



Pioneering Technology Corp.

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

**For the three and nine months ended June 30, 2022 and
2021**

August 29, 2022

This Management Discussion and Analysis (“MD&A”) is prepared as at June 30, 2022 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 month period ended June 30, 2022, along with the audited annual financial statements and related notes of the Company for the year ended September 30, 2021, 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 the 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.

SmartBurner™ (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. Pioneering's patented temperature limiting control technology has been installed on over 1.5 million burners without a single confirmed cooking fire.

The **Safe-T-sensor™ (STS) - STS 2.0** (known as the Smart Micro/SM technology), designed for microwave ovens to help prevent microwave fires and false/nuisance alarms. This product is most relevant in high volume/people college, seniors, health and office environments where a microwave smoke/fire alarm evacuation results in a dangerous situation, a significant cost and/or a loss of productivity. The STS/SM delivers a significant and proven return on investment.

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 decreased by approximately 37% to \$1,895,000 for the nine-month period ended June 30, 2022, versus \$2,982,000 for the nine-month period ended June 30, 2021. However, at the same time the net loss for the nine-month period was \$(473,000) versus a net loss of \$(1,032,000) for the same period last year. Adjusted EBITDA for the nine-month period ended June 30, 2022 was \$(267,000), versus Adjusted EBITDA of \$(864,000) in the same period last year. Tariff adjusted EBITDA for the nine-month period ended June 30, 2022 improved 78% to \$(145,000), versus Tariff adjusted EBITDA of \$(662,000) in the same period last year.

Revenue for the second quarter of 2022, ending June 30, 2022, decreased 23.5% versus the previous quarter (Q1-2022) and is down approximately 26.1% versus the three-month period ended June 30, 2021. In Q1 2021, the impact of COVID-19 on the Company's customers began to decline and shipments started improving. However, the emergence of the Omicron variant later in 2021 and early 2022 reversed much of this progress and the Company's primary customer base (multi-residential housing) began retrenching again. In Q2 2021 the Company began implementing a strategic plan to position the business for success once the United States is finally back to business as usual.

The company has shown continuing gross margin improvement over the last five quarters – 41.8% for March 31, 2021, 42.3% for September 30, 2021, 47.2% for December 31, 2021, 47.5% for March 31, 2022 and 47.6% for June 30, 2022. In the previous quarter it came to light that freight charges related to shipments received in the quarter ended December 31, 2021 were recorded in the quarter ended March 31, 2022. Accordingly, we have shown what the updated quarterly margins are with this adjustment reflected.

The impact of tariffs imposed by the United States on products produced in China and sold in the United States and price increases from the Company's supply partners continue to adversely affect customer pass through price increases.

While the COVID-19 pandemic and U.S. tariffs on Chinese made goods have presented ongoing challenges, the Company's strategic plan of reducing expenses, managing product costs and growing its sales pipeline are helping position the Company for success going forward. The Company has a strong balance sheet, a growing sales pipeline and is taking control of managing its gross profit margins, which management believes will enable it to manage these challenges as business in the US begins to return to normal so we can take advantage of new opportunities and meet increasing customer demand.

2022 Strategic Objectives

While variants of COVID-19 continue to emerge, in the United States it appears that much of the impact of the pandemic on business may now be behind us. The Company is cautiously optimistic that more favourable operating conditions will emerge in late 2022, removing a number of the challenges it has faced recently. A new potential challenge is the impact of inflationary economic conditions on business activity but the consequences of this for the Company's business are not yet clear.

The Company defines success as a return to profitable revenue in 2023 and profitable growth over the next 36 months. The Company remains committed to its mission of helping protect people and properties, its focus on leadership share of mind when it comes to cooking fire safety within the multi-residential and institutional markets and continuing to manage pricing and expenses to enhance gross margins.

The Company's 2022 strategic plan is focused on the following four key objectives:

1. Continue to Build a Strong 36-Month Pipeline. The Company has focused over the past 12 months on developing a stronger pipeline for its product offerings. During 2021, the Company implemented a number of effective lead generation, data analysis and CRM tools to assist in these efforts. In 2022, the Company will continue with these efforts as they pertain to its performing product offerings. It also intends to introduce two new revenue opportunities and will continue focusing on organic growth while eliminating non-performing solutions.

2. Improve Gross Margins. In 2021, the Company successfully implemented a multi-faceted plan to improve gross margins by monitoring costs and product pricing. The Company will continue to execute against this plan in 2022 and has identified or commenced executing additional tactics such as efficiencies in the manufacturing process in discussions with its manufacturing partners and expansion into other markets with no tariffs.

3. Build a Sales Model that Delivers Broader Access. The Company will continue to focus on distributor acquisition and engagement, end customer lead generation, closing deals and superior customer service. However, in 2022 and beyond the Company plans to compliment and extend its regional reach and channel breadth by implementing Master Services and Manufacturer Representatives programs and more direct sales. Management believes this will not only help broaden its reach and relevance but also contribute to improved margins.

4. Leverage Pioneering's SmartBurner Advantage. The Company will continue to differentiate its superior capabilities versus new competitors who have recently entered the market. Pioneering views these new product introductions as an opportunity to help grow the category while at the same time demonstrating its superior product offerings versus both new entries and Original Equipment Manufacturers. The Company will focus on converting these its advantages in this regard into longer term partnering opportunities/synergies/alliances

Results of Operations

Impact of COVID-19 and U.S. Tariffs

As indicated below, although the Company improved gross margins during fiscal 2021 and year-to-date of fiscal 2022, revenue and profitability continue to be adversely affected by the COVID-19 pandemic and U.S. tariffs.

COVID-19 has adversely affected Pioneering's shipments over the past several quarters. However, the cooking fire problem that exists in North America and around the world has not changed. In fact, the cooking fire problem has only increased during this period due to more people cooking and eating at home. The Company continues to have a strong sales pipeline driven by customers (primarily multi-residential housing owners) who continue to deal with the problem. Customers who had indicated their intentions to purchase and install the Company's products prior to COVID-19 have generally re-iterated their commitment to do so and new customers are identified regularly as a result of the increase in cooking fires and the Company's advertising activity to help build awareness for its product solutions.

Pioneering continues to work with its legal counsel in the U.S. to pursue a potential exemption from U.S. tariffs based on a similar exemption recently granted 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:

- Worked with its manufacturing partner to efficiently reduce cost of goods sold without affecting efficacy.
- Managing operating expenses and limiting those that do not directly contribute to sales growth or 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's initiatives are helping to mitigate the consequences of the tariffs and will continue to improve its gross margins in 2022, there can be no assurance of the extent to which they will offset the entire impact of COVID-19 and the U.S. tariffs on the Company's costs and profitability.

Three Months Ended June 30, 2022 Compared to Three Months Ended June 30, 2021

Revenue during the quarter decreased approximately 26.1% to \$619,000 for the three-month period ended June 30, 2022 versus \$838,000 for the three-month period ended June 30, 2021. This decrease has primarily been the result of COVID-19, which forced the Company's end-customers to focus on implementing safety and COVID-19 protection measures at their properties to protect tenants and staff. This has continued to create delays in capital expenditures related to purchases and installations of the Company's products.

Gross margin for the three months ended June 30, 2022 was \$295,000 as compared to gross profit of \$350,000 during the three months ended June 30, 2021.

Expenses during the quarter decreased 27.1% (\$392,000) versus the same period in 2021 (\$537,000). The Company intends to continue to manage its costs carefully and in an appropriate manner relative to industry conditions.

Net loss for the period reduced 45% to \$(117,000) versus \$(209,000) in the same period last year. Adjusted EBITDA for the three-month period ending June 30, 2022 was \$(49,000) versus Adjusted EBITDA of \$(170,000) in the same period last year. Tariff Adjusted EBITDA for the three-month period ending June 30, 2022 improved some 89.0%, \$12,000 versus Tariff Adjusted EBITDA of \$(111,000), in the same period last year.

Nine Months Ended June 30, 2022 Compared to Nine Months Ended June 30, 2021

Revenue decreased by approximately 36% to \$1,895,292 for the nine months ended June 30, 2022 versus \$2,981,799 for the nine months ended June 30, 2021. The decline was primarily due to the continued 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 \$38,741.

Gross profit for the nine months ended June 30, 2022 was \$899,337 as compared to gross profit of \$1,302,281 during the nine months ended June 30, 2021 due to a decline in revenues. At the same time gross profit percent increased from 43.7% to 47.5% as a result of lower expenses due to cost curtailment measures implemented by management combined with price increases.

During the nine months ended June 30, 2022, the Company incurred \$1,309,235 in expenses a 42% decrease vs \$2,270,172 in the same period last year.

Net loss for the period was \$(472,687) versus net loss of \$(1,032,218) in the same period last year. Adjusted EBITDA for the nine-month period ended June 30, 2022 was \$(266,858), versus Adjusted EBITDA of (\$864,458) in the same period last year and Tariff Adjusted EBITDA for the nine-month period ended June 30, 2022 was \$(144,690), versus Tariff Adjusted EBITDA of (\$661,665) 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 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.

For the period ended June 30, 2022, the Company's operations continued to be significantly impacted by COVID-19, as described above. 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 period ended June 30, 2022, the Company determined that it met the employer eligibility criteria and applied for CEWS between October 2021 and June 2022 and as a result, recognized \$62,590 (2021 - \$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 period ended June 30, 2022, the Company determined that it met the tenant eligibility criteria and applied for CERS for the program between October 2021 and June 2022 and as a result, recognized \$99,579 (2021 - \$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.

	For the three months ended June 30		For the nine months ended June 30	
	2022	2021	2022	2021
Net income (loss) for the period	\$ (117,249)	\$ (208,500)	\$ (472,686)	\$ (1,032,218)
Deferred tax expense	-	-	1	-
Fair value movement - derivative liability	-	-	-	(1,236)
Depreciation of property plant and equipment	48,417	52,411	145,251	157,232
Amortization of patents and intangibles	3,107	4,438	9,320	13,315
Stock based compensation	-	665	-	1,994
Unrealized foreign exchange gain (loss)	(5,736)	(40,335)	(11,532)	(69,108)
Interest expense	20,256	21,269	62,788	65,563
Non-recurring legal costs	-	-	-	-
Adjusted EBITDA	<u>\$ (51,205)</u>	<u>\$ (170,052)</u>	<u>\$ (266,858)</u>	<u>\$ (864,458)</u>

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 three months ended June 30		For the nine months ended June 30	
	2022	2021	2022	2021
Adjusted EBITDA	\$ (51,205)	\$ (170,052)	\$ (266,858)	\$ (864,458)
Tariff and tariff related costs	36,474	59,275	122,169	202,793
Tariff Adjusted EBITDA	<u>\$ (14,731)</u>	<u>\$ (110,777)</u>	<u>\$ (144,690)</u>	<u>\$ (661,665)</u>

For the Quarters Ended (\$'000's)								
	Fiscal 2022			Fiscal 2021				Fiscal 2020
	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020	Sep 30 2020
Revenues	619.16	810.35	465.78	369.20	837.90	1,037.80	1,106.10	1,002.30
Gross Profit	294.67	355.93	248.73	156.20	350.20	521.50	357.60	357.60
Freight Adjustment	\$ -	29.10	(29.10)	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Gross Margin	294.67	385.03	219.63	156.20	350.20	521.50	357.60	357.60
Gross Profit %	47.6%	47.5%	47.2%	42.3%	41.8%	50.3%	32.3%	35.7%
Expenses	391.66	437.61	479.96	423.00	537.40	650.30	768.90	768.90
Interest & Other Expenses	20.26	20.94	21.59	17.00	21.30	21.50	(66.30)	(66.30)
Income (loss)	(117.25)	(102.62)	(252.82)	(283.70)	(208.50)	(150.30)	(345.00)	(345.00)
Earnings (loss) per share (basic)	\$ -	\$ -	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ -	\$ (0.01)	\$ (0.01)
Earnings (loss) per share (diluted)	\$ -	\$ -	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ -	\$ (0.01)	\$ (0.01)

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 quarter.

Disclosure of Outstanding Share Information

The following table sets forth information concerning the issued securities of the Company as at July 1, 2022.

Description	Number
Common Shares	
Outstanding at September 30, 2021	56,041,746
Issued	-
Outstanding at July 1, 2022	56,041,746
Stock Options	
Outstanding at September 30, 2021	3,975,000
Forfeited	(850,000)
Outstanding at July 1, 2022	3,125,000

Contingencies and Commitments

As at August 30, 2022, management is not aware of any material liabilities, contingent or otherwise, that have not been recorded in the financial statements of the Company as at June 30, 2022. 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, 2022		June 30, 2021	
Type of payment				
Compensation and benefits	\$	61,688	\$	64,447
	\$	61,688	\$	64,447
Amounts due to related parties at quarter end	\$	1,820	\$	1,966

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 common shares have the following expiry dates and exercise prices:

Issuance Date	Expiry Date	Exercise Price	June 30 2022
		\$	Number Outstanding
August 2017	August 2022	\$1.07	450,000
February 2020	February 2025	\$0.14	1,600,000
			<u>2,050,000</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, 2021.