



Pioneering Technology Corp.

Audited Financial Statements

September 30, 2021 and 2020

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Pioneering Technology Corp. (the "Company") are the responsibility of management and have been approved by the Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards as disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Kevin Callahan”

Kevin Callahan
CEO

“Richard Adair”

Richard Adair
Chair – Audit Committee

January 25, 2022



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pioneering Technology Corp.

Opinion

We have audited the financial statements of Pioneering Technology Corp. (the "Company"), which comprise:

- the statements of financial position as at September 30, 2021 and September 30, 2020
- the statements of loss and comprehensive loss for the years ended September 30, 2021 and September 30, 2020
- the statements of changes in equity for the years ended September 30, 2021 and September 30, 2020
- the statements of cash flows for the years ended September 30, 2021 and September 30, 2020
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and September 30, 2020, and its financial performance and its cash flows for the years ended September 30, 2021 and September 30, 2020 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



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Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is John J. Pryke.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

January 25, 2022

Pioneering Technology Corp.
 Statements of Financial Position
 As at September 30th
 (Expressed in Canadian Dollars)

	Note	2021	2020
ASSETS			
CURRENT ASSETS			
Cash		\$ 1,494,730	\$ 2,157,373
Trade and other receivables	14	483,760	1,231,172
Inventories	6	2,334,227	2,229,899
Prepaid expenses and deposits		283,135	947,845
		4,595,852	6,566,289
Property and equipment	9	1,741,928	2,050,645
Patents and intangibles	10	227,224	201,097
TOTAL ASSETS		6,565,004	8,818,031
LIABILITIES			
CURRENT LIABILITIES			
Trade payables and accrued liabilities	15	\$ 1,072,377	\$ 1,731,888
Derivative liability	11(d)	-	1,236
Current portion of lease obligations	8	83,356	75,278
		1,155,733	1,808,402
Long-term lease obligations	8	1,511,586	1,594,942
TOTAL LIABILITIES		\$ 2,667,319	\$ 3,403,344
SHAREHOLDERS' EQUITY			
Common share capital	11(a)	\$ 17,974,857	\$ 17,974,857
Preferred shares	11(a)	1	1
Contributed surplus	11(c)	1,236,729	2,086,442
Accumulated other comprehensive loss		(392,750)	(189,080)
Deficit		(14,921,152)	(14,457,533)
TOTAL SHAREHOLDERS' EQUITY		3,897,685	5,414,687
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		\$ 6,565,004	\$ 8,818,031

Commitments and contingencies 12

Approved by:

"Kevin Callahan"

Kevin Callahan

Director

"Richard Adair"

Richard Adair

Director

Pioneering Technology Corp.

Statements of Loss and Comprehensive Loss

 For the year ended September 30th

(Expressed in Canadian Dollars)

	Note	2021	2020
REVENUE		\$ 3,351,014	\$ 6,540,550
COST OF GOODS SOLD		1,892,519	3,866,542
GROSS PROFIT		1,458,495	2,674,008
EXPENSES			
Sales and marketing	11(c)	1,111,624	1,477,805
Administration	11(c)	1,108,205	1,458,050
Warehousing, distribution and warranty costs		71,642	116,265
Foreign exchange (gain) loss		90,450	(9,200)
Research and development costs	11(c)	92,251	166,165
Depreciation of property and equipment	9	201,807	231,907
Amortization of patents and intangibles	10	17,146	24,574
TOTAL EXPENSES		2,693,125	3,465,566
OPERATING LOSS		(1,234,630)	(791,558)
OTHER INCOME (EXPENSES)			
Other income		4,749	-
Interest expense	8	(87,310)	(90,689)
Fair value movement - derivative liability	11(d)	1,236	(1,020)
LOSS BEFORE INCOME TAXES		(1,315,955)	(883,267)
Income tax expense	13	-	-
LOSS FOR THE YEAR		\$ (1,315,955)	\$ (883,267)
OTHER COMPREHENSIVE INCOME (LOSS)			
Currency translation differences (may be subsequently reclassified to net income)		(203,670)	(70,897)
COMPREHENSIVE LOSS FOR THE YEAR		\$ (1,519,625)	\$ (954,164)
Loss per share - basic and diluted		\$ (0.02)	\$ (0.02)
Comprehensive loss per share - basic and diluted		\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding			
Outstanding - basic and diluted		56,041,746	56,041,746

Pioneering Technology Corp.
Statements of Changes in Equity
For the year ended September 30th
(Expressed in Canadian Dollars)

	Note	Common shares		Preferred shares		Contributed surplus	Accumulated other comprehensive loss	Deficit	Total Equity
		Number	Amount	Number	Amount				
Balance, October 1, 2020		56,041,746	\$ 17,974,857	20,533,133	\$ 1	\$ 2,086,442	\$ (189,080)	\$ (14,457,533)	\$ 5,414,687
Stock-based compensation expense	11	-	-	-	-	2,623	-	-	2,623
Stock options expired and forfeited	11	-	-	-	-	(722,824)	-	722,824	-
Warrants expired	11	-	-	-	-	(129,512)	-	129,512	-
Comprehensive loss for the year		-	-	-	-	-	(203,670)	(1,315,955)	(1,519,625)
Balance, September 30, 2021		56,041,746	\$ 17,974,857	20,533,133	\$ 1	\$ 1,236,729	\$ (392,750)	\$ (14,921,152)	\$ 3,897,685

	Note	Common shares		Preferred shares		Contributed surplus	Accumulated other comprehensive loss	Deficit	Total Equity
		Number	Amount	Number	Amount				
Balance, October 1, 2019		56,041,746	\$ 17,974,857	20,533,133	\$ 1	\$ 2,060,719	\$ (118,183)	\$ (13,651,552)	\$ 6,265,842
Stock-based compensation expense	11	-	-	-	-	103,009	-	-	103,009
Stock options expired and forfeited	11	-	-	-	-	(77,286)	-	77,286	-
Comprehensive loss for the year		-	-	-	-	-	(70,897)	(883,267)	(954,164)
Balance, September 30, 2020		56,041,746	\$ 17,974,857	20,533,133	\$ 1	\$ 2,086,442	\$ (189,080)	\$ (14,457,533)	\$ 5,414,687

Pioneering Technology Corp.
 Statements of Cash Flows
 For the year ended September 30th
(Expressed in Canadian Dollars)

	2021	2020
OPERATING ACTIVITIES		
Loss for the year	\$ (1,315,955)	\$ (883,267)
Items not affecting cash		
Depreciation of property and equipment	201,807	231,907
Amortization of patents and intangibles	17,146	24,574
Fair value movement - derivative liability	(1,236)	1,020
Unrealized foreign exchange (gain) loss	(45,599)	11,919
Interest expense on lease obligations	85,088	88,683
Stock-based compensation expense	2,623	103,009
	(1,056,126)	(422,155)
Change in non-cash working capital balances		
Trade and other receivables	686,839	(811,399)
Inventories	(74,281)	2,004,370
Prepaid expenses and deposits	616,413	(867,196)
Trade payables and accrued liabilities	(537,843)	711,112
	(364,998)	614,732
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(78,563)
Purchase of patents and intangibles	(50,250)	(152,919)
	(50,250)	(231,482)
FINANCING ACTIVITIES		
Repayment of lease obligations	(160,366)	(156,409)
	(160,366)	(156,409)
NET CHANGE IN CASH DURING IN THE YEAR		
	(575,614)	226,841
Foreign currency movement in cash balances	(87,029)	(413)
CASH - BEGINNING OF YEAR	2,157,373	1,930,945
CASH - END OF YEAR	\$ 1,494,730	\$ 2,157,373
SUPPLEMENTAL DISCLOSURE		
Interest paid	\$ 87,310	\$ 90,689

1. NATURE OF OPERATIONS

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

Pioneering is a public company listed on the Toronto Venture Stock Exchange (TSX-V: PTE). The Company’s principal place of business is located at 7-2400 Skymark Ave., Mississauga, ON L4W 5K5. The Company’s website is www.pioneeringtech.com.

2. BASIS OF PREPARATION

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

2.1 Statement of compliance

These financial statements, including comparative balances for the year ended September 30, 2020, have been prepared in accordance with and using policies in compliance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements were approved and authorized by the Board of Directors of the Company on January 25, 2022.

2.2 Functional currency

The Company’s functional currency is U.S. dollars based on the primary economic environment in which the Company operates. The Company’s presentation currency is Canadian dollars which is different from its functional currency due to the listing on the TSX-V and presentation of financial statements in Canadian dollars is considered to be beneficial for current and potential shareholders in Canada.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined below. Actual results may differ from those estimates.

The following are management's key estimates and judgements:

- Inventory valuation – inventories are valued at the lower of cost, using FIFO, and net realizable value, which requires the Company to utilize estimates related to future sell-through of units and costs necessary to sell the inventory. The Company records a write-down to reflect management's best estimate of the net realizable value of inventory based on the above factors;
- Trade receivable valuation – expected credit losses associated with accounts receivable require management to assess certain forward looking and macroeconomic factors to determine whether there is a significant increase in credit risk as well as the expected provision on the balance outstanding as at year-end (refer to note 14);
- Functional currency – judgment is required in determining the Company's functional currency based on the economic environment in which it primarily generates and expends cash;
- Stock-based compensation – the amounts recorded for stock-based compensation are based on estimates. The Black Scholes model is used to estimate the fair value of stock options at the date of grant based on estimates of assumptions for share price, expected volatility, expected number of options to vest, dividend yield, risk-free interest rate, and expected life of the options. Changes in these assumptions may result in a material change to the amounts recorded for the issuance of stock options (refer to note 11);
- Determination of variable consideration – judgment is exercised in estimating variable consideration which is determined having regard to past experience with respect to the product returned to the Company where the customer maintains a right of return pursuant to the customer contract or where the product has a variable component. Revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved;
- Recovery of deferred income tax assets – assessing whether the realization of tax losses against future taxable income is probable (refer to note 13);
- Discount rate of lease liability - the lease liability is measured at the present value of expected lease payments and discounted using the interest rate implicit in the lease, unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. The Company determines its incremental borrowing rate as the rate of interest it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment;
- Warranties – significant judgements and assumptions may be involved in the determination of future obligations associated with product sales recognized in the current year. Additionally, management has assessed that all warranties associated with products sold are "assurance-type" warranties, as defined within IFRS 15, and therefore, recognized and measured in accordance with IAS 37, Provisions, contingent liabilities and contingent assets;
- Useful lives of assets - significant estimates are involved in the determination of the useful lives of property and equipment and patents and intangible assets to determine their expected depreciation and amortization rates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Revenue recognition**

Revenue is derived primarily from the sales of product, the Company's only performance obligation, which is comprised of fire safety cooking equipment. Revenue is measured at the transaction price agreed to under the contract and excludes any amounts collected on behalf of third parties. The Company allocates the transaction price to the performance obligation in the contract which is the product sold. The transaction price is adjusted for variable consideration such as allowance for returns, early payment discounts and rebates based on volume shipped to the customer. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

For performance obligations satisfied at a point in time, revenue is recognized when the Company has a present right to payment, the buyer has legal title to the asset, physical possession of the asset has transferred to the buyer, the buyer has the significant risks and rewards of ownership and the buyer has accepted the asset. Generally, the buyer obtains control at the time goods are shipped, the product is delivered or services are rendered.

Leases

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and do not contain a purchase option, and for leases of low-value assets. These types of leases are not recognized on the Company's statement of financial position and payments to lessors are recorded in the statement of loss and comprehensive loss on a straight-line basis over the term of the lease.

Stock-based compensation

The fair value of all stock options granted to employees (including directors and senior executives) is determined using the Black-Scholes option pricing model and incorporates a number of assumptions. The resulting value is charged to operations over the vesting period of the underlying options. A corresponding increase in contributed surplus is recorded when employee stock options are expensed.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss, unless the fair value of the goods or services received cannot be estimated reliably. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the goods or services received, and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

For stock-based compensation with non-vesting conditions, the grant date fair value of the stock-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes. When a stock option is exercised, share capital is recorded at the sum of the proceeds received plus the amount previously recorded in contributed surplus relating to the options exercised.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. The cost is comprised of the purchase price plus the direct costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. A provision for obsolescence is calculated based on historical experience and management's sales expectations.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a declining balance basis based on the following rates:

Computer hardware and software	45%
Equipment, small tools and molds	30%
Fixtures and fittings	30%
Automobiles	30%
Leasehold improvements	Straight-line over the initial term of the lease

Residual value and estimated useful lives are reviewed at least annually.

Research and development costs

Expenditure on research activities is recognized as an expense in the year in which it is incurred. Internally developed intangibles assets are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangibles is the sum of the expenditure incurred from the date when the intangibles first meets the recognition criteria listed above. Where no internally-generated intangibles can be recognized, development costs are recognized in profit or loss in the year in which it is incurred. Subsequent to initial recognition, internally-generated intangibles are reported at cost less accumulated depreciation and accumulated impairment losses, on the same basis as intangibles that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Patents and intangibles**

Costs directly related to the acquisition of patents and intangibles are capitalized and then amortized over their estimated useful life on a declining balance basis based on the following rates:

Safe-T-Sensor	30%
Trademarks	30%
Patents	30%
Website	30%

Impairment*Property and equipment and intangible assets with a finite useful life*

Property and equipment and intangible assets with a finite life are assessed for indications of impairment at the end of each reporting period. If such indications exist, then the recoverable amount of the cash generating unit ("CGU") is compared to the carrying value of the CGU. An impairment loss is recognized when the carrying amount of the CGU exceeds its recoverable amount. The recoverable amount of the CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognized in operations for the year in which they are identified. Intangible assets not yet available for use are tested for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss have been recognized.

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or to realize the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") for its common shares. Basic EPS is calculated by dividing earnings by the weighted average number of common shares outstanding during the year. The diluted income (loss) / earnings per share reflect the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

Financial instruments

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at FVTPL are recognized immediately in the statements of loss.

Financial assets are classified as amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Impairment of financial assets

As the Company's financial assets are substantially made up of trade receivables, the Company has opted to use the simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses ("ECL"). The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECLs at all times. Lifetime ECL represents the ECL that would result from all possible default events over the expected life of a financial instrument. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Specifically but not all inclusive, the forecast factors include forward looking information by way of trended loss patterns in industries and customer geographies, forecasting adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the customer's ability to meet its debt obligation, and predicting significant deterioration in the operating results of the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fair value hierarchy**

All financial assets and liabilities are initially recognized at fair value. In subsequent years, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income (loss). Financial instruments require disclosure about inputs to fair value measurements within the fair value measurement hierarchy as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at fair value through profit or loss ("FVTPL"). Gains and losses arising from foreign exchange are included in the statement of loss and comprehensive loss.

Assets and liabilities are translated into the Company's presentation currency using the exchange rates at the reporting date. The revenues and expenses are translated using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the accumulated other comprehensive loss in equity.

Government assistance

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Claims under income-related government grants are reported in the statement of loss and comprehensive loss as a reduction of the expense to which they relate.

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

4. CAPITAL MANAGEMENT

The Company defines capital as total shareholders' equity and long-term debt excluding other long-term liabilities. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the growth and development of its operations and to bring new products to market. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company will continue to assess new opportunities and seek to acquire an interest in growth situations if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended September 30, 2021.

5. FINANCIAL INSTRUMENTS

Financial instruments, by classification, comprise the following:

	Fair value hierarchy	2021	2020
Financial assets			
<i>Amortized cost</i>			
Cash		\$ 1,494,730	\$ 2,157,373
Trade and other receivables		483,760	1,231,172
Financial liabilities			
<i>Amortized cost</i>			
Trade payables and accrued liabilities		1,072,377	1,731,888
<i>Fair value through profit or loss</i>			
Derivative liability	Level 2	-	1,236

A summary of the Company's risk exposures as it relates to financial instruments is reflected below:

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss to the Company. The Company is exposed to credit risk from its operating activities (primarily from trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk relates to cash and trade and other receivables and arises from the possibility that any counterparty to an instrument fails to perform. The Company has a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. All of the Company's customers are located in either Canada or the United States. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer. As at September 30, 2021 and 2020, the Company's maximum exposure to credit risk was the carrying value of cash and trade and other receivables.

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (CONT'D)
Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company establishes a representative estimate of expected credit losses using the simplified approach.

The Company's trade receivables are concentrated among customers in the distribution and retail industry. As at September 30, 2021, two (2020 – three) customers accounted for greater than 10% of the Company's trade receivable balance. In total, these customers accounted for 61% of the Company's trade receivable balance as at September 30, 2021 (2020 – 80%).

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury function in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. The Company is growing and in order to meet its short and longer-term working capital requirements, the Company will attempt, if necessary, to secure further financing to ensure that those obligations are properly discharged.

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

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk). Market risks material to Pioneering include the following:

Foreign currency risk

The Company is exposed to foreign currency risk on its Canadian dollar (CAD) denominated transactions and balances.

At present the Company has no plans in place to hedge its foreign exchange exposures. As the Company has expenditures and sales in both USD and CAD, the Company realizes the benefit of a partial natural hedge against this risk. The Company's CAD monetary balances consist of the following:

	2021	2020
Cash	\$ 117,646	\$ 86,446
Trade and other receivables	91,367	167,239
Trade payables and accrued liabilities	746,012	1,039,488

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

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (CONT'D)**Interest rate risk**

The Company is exposed to interest rate risk arising from fluctuations in the bank's prime rate related to its bank indebtedness. With all other factors held constant, a 1% fluctuation in the bank's prime rate would not have a significant impact on the Company's earnings.

Sensitivity analysis – foreign exchange risk

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a one-year period. The Company's operating activities are substantially denominated in both Canadian and US dollars. The Company's funds are kept in CAD and USD with a major Canadian financial institution.

The table below summarizes the effects on foreign exchange gains and losses as a result of a 10% change in the value of the foreign currencies where the Company has significant exposure. The analysis assumes that other variables remain constant.

	Income effect of a 10% increase in foreign exchange rates on translation of CAD monetary balances	Loss effect of a 10% decrease in foreign exchange rates on translation of CAD monetary balances
CAD	\$ 53,700	\$ (53,700)

6. INVENTORIES

Inventories are comprised of the following:

	2021	2020
Finished goods	\$ 2,334,227	\$ 2,229,899

Inventory expensed to cost of goods sold during the year is \$1,892,519 (2020 - \$3,862,943).

7. BANK INDEBTEDNESS

The Company has a \$500,000 (2020 - \$500,000) revolving demand facility with a Canadian chartered bank bearing interest at the lender's prime rate plus 2% per annum. The Company has provided a general security to the lender over the personal property of the Company. No amounts have been drawn on the facility at year-end (2020 – \$nil).

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

8. LEASE OBLIGATIONS

	2021	2020
Property and office space lease bearing interest at an estimated rate of 5.2%. The lease extends through fiscal 2033.	\$ 1,594,942	\$ 1,670,220
Less: current portion	(83,356)	(75,278)
	\$ 1,511,586	\$ 1,594,942

Included in interest expense is \$85,088 (2020 - \$88,683) of interest expense on lease obligations. Total cash outflows relating to leases consist of payments in the amount of \$160,366 (2020 - \$156,409). Included in administration expense is \$62,793 (2020 - \$65,596) relating to variable lease payments not included in the measurement of lease liabilities.

The lease is secured by the underlying asset. Future minimum lease payments for the next five years and thereafter are as follows:

2022	\$ 164,340
2023	168,421
2024	172,671
2025	176,997
2026	181,369
Thereafter	1,293,179
	<u>2,156,977</u>
Less: imputed interest	562,035
	<u>\$ 1,594,942</u>

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

9. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

Cost	Computer hardware and software	Equipment small tools and molds	Fixtures and fittings	Automobiles	Leasehold improvements	Right of use assets	Total
October 1, 2019	\$ 80,747	\$ 350,901	\$ 76,761	\$ 20,752	\$ 360,539	\$ 1,737,946	\$ 2,627,646
Additions	2,140	70,928	-	-	5,495	-	78,563
Disposals	-	-	-	-	-	-	-
Net currency translation	-	-	-	-	27,643	-	27,643
October 1, 2020	82,887	421,829	76,761	20,752	393,677	1,737,946	2,733,852
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Net currency translation	(984)	(7,280)	(1,710)	(166)	(51,115)	(66,007)	(127,262)
September 30, 2021	\$ 81,903	\$ 414,549	\$ 75,051	\$ 20,586	\$ 342,562	\$ 1,671,939	\$ 2,606,590

Accumulated Depreciation	Computer hardware and software	Equipment small tools and molds	Fixtures and fittings	Automobiles	Leasehold improvements	Right of use assets	Total
October 1, 2019	\$ 58,559	\$ 262,799	\$ 31,618	\$ 16,810	\$ 73,832	\$ -	\$ 443,618
Depreciation	10,185	47,708	13,543	1,183	33,653	125,635	231,907
Disposals	-	-	-	-	-	-	-
Net currency translation	-	-	-	-	7,682	-	7,682
October 1, 2020	68,744	310,507	45,161	17,993	115,167	125,635	683,207
Depreciation	6,364	33,396	9,480	828	33,939	125,635	209,642
Disposals	-	-	-	-	-	-	-
Net currency translation	(821)	(5,135)	(1,166)	(150)	(11,371)	(9,544)	(28,187)
September 30, 2021	\$ 74,287	\$ 338,768	\$ 53,475	\$ 18,671	\$ 137,735	\$ 241,726	\$ 864,662

Net book value	Computer hardware and software	Equipment small tools and molds	Fixtures and fittings	Automobiles	Leasehold improvements	Right of use assets	Total
October 1, 2019	\$ 22,188	\$ 88,102	\$ 45,143	\$ 3,942	\$ 286,707	\$ 1,737,946	\$ 2,184,028
September 30, 2020	\$ 14,143	\$ 111,322	\$ 31,600	\$ 2,759	\$ 278,510	\$ 1,612,311	\$ 2,050,645
September 30, 2021	\$ 7,616	\$ 75,781	\$ 21,576	\$ 1,915	\$ 204,827	\$ 1,430,213	\$ 1,741,928

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

10. PATENTS AND INTANGIBLES

Patents and intangible assets are comprised of the following:

Cost	Safe-T-Sensor	Development	Trademarks	Patents	Website	Total
October 1, 2019	\$ 66,681	\$ -	\$ 44,235	\$ 45,688	\$ 48,384	\$ 204,988
Additions	-	141,919	-	-	11,000	152,919
Disposals	-	-	-	-	-	-
October 1, 2020	66,681	141,919	44,235	45,688	59,384	357,907
Additions	-	50,250	-	-	-	50,250
Disposals	-	-	-	-	-	-
Net currency translation	(533)	(5,274)	(1,004)	(365)	(1,744)	(8,920)
September 30, 2021	\$ 66,148	\$ 186,895	\$ 43,231	\$ 45,323	\$ 57,640	\$ 399,237

Accumulated amortization	Safe-T-Sensor	Development	Trademarks	Patents	Website	Total
October 1, 2019	\$ 66,681	\$ -	\$ 14,045	\$ 40,578	\$ 10,932	\$ 132,236
Amortization	-	-	9,057	1,533	13,984	24,574
Disposals	-	-	-	-	-	-
October 1, 2020	66,681	-	23,102	42,111	24,916	156,810
Amortization	-	-	6,340	1,073	10,338	17,751
Disposals	-	-	-	-	-	-
Net currency translation	(533)	-	(668)	(345)	(1,002)	(2,548)
September 30, 2021	\$ 66,148	\$ -	\$ 28,774	\$ 42,839	\$ 34,252	\$ 172,013

Carrying value	Safe-T-Sensor	Development	Trademarks	Patents	Website	Total
October 1, 2019	\$ -	\$ -	\$ 30,190	\$ 5,110	\$ 37,452	\$ 72,752
September 30, 2020	\$ -	\$ 141,919	\$ 21,133	\$ 3,577	\$ 34,468	\$ 201,097
September 30, 2021	\$ -	\$ 186,895	\$ 14,457	\$ 2,484	\$ 23,388	\$ 227,224

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

11. SHARE CAPITAL
a) Authorized

Unlimited number of voting common shares and non-voting series 1 preferred shares that are issuable in series. The series 1 preferred shares can be redeemed, at the sole discretion of the Company, upon payment to the holder of \$0.06 per preferred share (a maximum aggregate redemption price of \$1,231,988) and are not entitled to dividends. The statement of changes in equity details the number and value of the common shares and series 1 preferred shares outstanding as at the reporting date.

b) Stock option plan

The Company has a stock option plan in place under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the underlying directors' resolution approving the issuance and have a maximum life of five years. The plan allows for the issuance of up to 11,208,349 (2020 - 11,208,349) common shares of the Company. At September 30, 2021, the Company had 7,233,349 (2020 - 4,063,349) stock options available for issuance.

c) Contributed surplus

Contributed surplus is comprised of the following:

	2021	2020
Stock options	\$ 1,236,729	\$ 1,956,930
Broker warrants ⁽ⁱ⁾	-	129,512
	\$ 1,236,729	\$ 2,086,442

- (i) As at September 30, 2020, there were 2,997,815 warrants outstanding related to a private placement of 5,995,631 common shares in 2017. These warrants expired between March and April 2021.

Stock option activity for the years ended September 30, 2021 and 2020 were as follows:

	2021		2020	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Balance, beginning of year	\$ 0.30	7,145,000	\$ 0.55	3,815,000
Transactions during the year				
Granted ⁽ⁱ⁾	\$ -	-	\$ 0.14	3,425,000
Exercised	\$ -	-	\$ -	-
Forfeited ⁽ⁱⁱ⁾	\$ (0.29)	(1,100,000)	\$ (0.89)	(95,000)
Expired	\$ (0.24)	(2,070,000)	\$ -	-
Outstanding, end of year	\$ 0.33	3,975,000	\$ 0.30	7,145,000
Exercisable, end of year	\$ 0.33	3,975,000	\$ 0.30	6,995,000

- (i) On February 24, 2020, Pioneering granted 3,425,000 options to directors, officers, employees and consultants of the Company, exercisable at \$0.14 per common share through February 21, 2025. 1,650,000 of these options vested immediately, with the balance vesting through 2021 based on certain vesting dates.
- (ii) During 2021, 1,100,000 vested options were forfeited due to the departure or certain employees.

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)
11. SHARE CAPITAL (CONT'D)
c) Contributed surplus (cont'd)

The following table provides additional information about the outstanding stock options as at September 30, 2021 and 2020:

Exercise Price	2021			2020		
	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable
\$0.14 ⁽ⁱ⁾	3,175,000	3.40	3,175,000	3,825,000	4.40	3,675,000
\$0.22	-	-	-	1,870,000	0.50	1,870,000
\$0.29	-	-	-	200,000	0.62	200,000
\$0.33	-	-	-	300,000	0.36	300,000
\$1.07 ⁽ⁱ⁾	800,000	0.91	800,000	950,000	1.91	950,000
	3,975,000	2.90	3,975,000	7,145,000	2.77	6,995,000

- (i) During 2020, Pioneering amended the expiry date and exercise price of 400,000 options that were previously issued to consultants and employees in August 2017. The expiry date of the options was extended from August 29, 2022 to February 21, 2025. The exercise price was decreased from \$1.07 per option to \$0.14 per option. In accordance with IFRS 2, Pioneering calculated the fair value of the options immediately before and after the modification. The resulting increase in fair value was \$9,056. As the options were fully vested prior to the modification, the full amount was recorded in prior year stock based compensation.

Using the Black-Scholes valuation method, the following assumptions were used to determine the value of the options granted and modified during 2020:

	Granted	Modified
Risk-free interest rate	1.21%	1.21%
Estimated life of options (years)	5.00	5.00
Expected volatility	122%	122%
Market price of shares at date of issuance	\$ 0.040	\$ 0.040
Exercise price of options	\$ 0.140	\$ 0.140
Dividend yield	0%	0%
Fair value of options granted	\$ 0.028	\$ 0.028

As all options issued prior to 2020 were fully vested, stock-based compensation expense related to options issued in 2020, and vesting in 2020 and 2021, was allocated to the financial statements on the basis of where the optionee's compensation is recorded as follows:

	2021	2020
Administration	\$ -	\$ 63,166
Sales and marketing	2,623	36,169
Research and development	-	3,674
	\$ 2,623	\$ 103,009

11. SHARE CAPITAL (CONT'D)**d) Warrants**

On March 22, 2017 and April 20, 2017, the Company completed a private placement of 5,995,631 common shares and 2,997,815 warrants for total gross proceeds of \$6,595,194. Each warrant entitles the holder to purchase one common share at a price of \$1.80 for a period of 24 months following closing of the offering, provided that if, at any time after 12 months following the closing date of the offering, the volume weighted average trading price of the common shares on the TSXV over any 15 consecutive trading day period is at least \$2.50, the Company will have the right to accelerate the expiry date of the warrants to a date that is 15 calendar days after the date on which the Company issues a press release announcing the accelerated expiry date.

The underwriter received (i) a cash commission equal to 7.0% of the gross proceeds raised in the offering, and (ii) non-transferrable broker warrants ("Broker Warrants") equal to 7.0% of the aggregate number of units issued pursuant to the offering. Each Broker Warrant is exercisable into one unit at the issue price for a period of 24 months following closing of the offering.

For the warrants issued in this 2017 private placement, the following assumptions were used to calculate the derivative liability resulting from each warrants placement on the date of issuance:

	2017
Risk-free interest rate	0.77%
Estimated life of options (years)	2.00
Expected volatility	115%
Market price of shares at date of issuance	\$ 1.0000
Exercise price of options	\$ 1.8000
Dividend yield	0%
Fair value of warrants	\$ 0.5303

In 2017, 201,097 broker warrants were issued as compensation for services rendered by the broker on the private placement. Each broker warrant is exercisable for one share of the Company at an exercise price of \$1.80. The fair value of the services provided was recorded as an increase in share issuance cost and contributed surplus in equity for \$105,832.

The warrants issued in the Company's private placement are classified as financial liabilities on the statement of financial position because the Company's warrants, that were issued to subscribers as part of the private placement, do not meet the criteria in IAS 32, Financial Instruments: Presentation ("IAS 32") for classification as equity. The fair value movement in future reporting periods are to be recognized in the statement of income (loss) and comprehensive (loss) income.

On March 15, 2019, the Company extended the expiry date of 2,997,815 warrants issued to subscribers pursuant to the private placement which closed on March 22 and April 20, 2017. The expiry date of the warrants was extended from March 22 and April 20, 2019 until March 22 and April 20, 2021. The exercise price of \$1.80 per share and all other terms of the warrants will remain unchanged for the extended exercise period.

During the year ended September 30, 2021, nil (2020 - nil) warrants were exchanged for common shares. As at September 30, 2021, nil warrants were outstanding (2020 - 2,997,815). The fair value movement is recognized in the statement of loss and comprehensive loss.

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)
12. COMMITMENTS AND CONTINGENCIES

Pioneering leases its premises under a non-cancellable operating lease that expires in July 2028. Under the terms of the lease, the Company is responsible for its proportionate share of common area maintenance costs, including realty taxes.

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. During 2016, a former supplier has commenced an action against the Company relating to a contractual dispute. The Company intends to vigorously defend itself against such claim. As at year-end, no provision has been recorded in connection with this claim.

13. INCOME TAXES

The significant components of income tax expense are as follows:

	2021	2020
Current income tax	\$ -	\$ -
Deferred tax:		
Origination and reversal of temporary differences	10,752	11,478
Change in unrecognized deferred tax assets	(10,752)	(11,478)
	\$ -	\$ -

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is included in the following table.

	2021	2020
Loss before income taxes	\$ (1,315,955)	\$ (883,267)
Combined basic Canadian corporate income tax rate	26.5%	26.5%
Income tax expense (recovery) based upon the above rate	(348,728)	(234,066)
Income tax on stock-based compensation	695	27,297
Non-deductible expenses and other	(10,500)	13,980
Change in unrecognized deductible temporary differences	358,533	192,789
	\$ -	\$ -

The Canadian statutory income tax rate of 26.5% (2020 – 26.5%) comprises the federal income tax rate at approximately 15% (2020 – 15%) and the provincial income tax rate of approximately 11.5% (2020 – 11.5%).

Pioneering Technology Corp.

Notes to the Financial Statements

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13. INCOME TAXES (CONT'D)

Significant components of the Company's deferred income tax assets and liabilities comprise the following:

	2021	2020
Deferred income tax assets		
Operating losses carried forward	\$ 3,181,209	\$ 2,811,923
Share issuance costs	-	35,190
Depreciable capital assets	236,571	187,714
Allowances and reserves	15,609	39,854
Other	4,671	4,846
	3,438,060	3,079,527
Less: Unrecognized temporary differences	(3,438,060)	(3,079,527)
Net deferred tax assets	\$ -	\$ -

The Company offsets tax assets and tax liabilities if and only if it has a legal enforceable right to set off current tax assets and current tax liabilities or the deferred tax assets and deferred tax liabilities and they relate to taxes levied by the same tax authority.

The benefit of the following temporary differences has not been recognized in the financial statements:

	2021	2020
Non-capital losses	\$ 12,004,564	\$ 10,611,029
Reserves and other	969,249	1,009,822
Total unrecognized temporary differences	\$ 12,973,813	\$ 11,620,851

As at September 30, 2021, the Company has accumulated non-capital losses for income tax purposes which can be carried forward to be applied against future taxable income for income tax purposes. Tax losses for which no deferred tax asset was recognized expire as follows:

2027	\$ 313,370
2028	1,424,300
2029	579,685
2031	106,628
2032	813,981
2033	1,269,404
2034	854,465
2038	2,462,781
2039	2,015,608
2040	770,807
2041	1,393,535
	\$ 12,004,564

Pioneering Technology Corp.

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14. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables are from: trade receivables and customer sales, government grants and Harmonized Services Tax ("HST") receivable due from government taxing authorities. The Company held no collateral for any receivable amounts outstanding as at September 30, 2021. The following comprises trade and other receivables:

	2021	2020
HST recoverable	\$ 12,791	\$ 18,327
Government grants (note 18)	31,480	104,327
Trade accounts receivable, net of allowance	439,489	1,108,518
	\$ 483,760	\$ 1,231,172

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

	2021	2020
Less than 1 month	\$ 75,588	\$ 775,754
31-60 days	55,593	26,817
61-90 days	31,842	80,875
Over 90 days	281,466	230,072
Total trade accounts receivable	444,489	1,113,518
Less: Expected credit losses	5,000	5,000
Net trade accounts receivable	\$ 439,489	\$ 1,108,518

15. TRADE PAYABLES AND ACCRUED LIABILITIES

Trade and other payables are principally comprised of amounts outstanding for trade purchases relating to products sold and for amounts relating to operating activities. The following comprises trade and accrued liabilities:

	2021	2020
Trade payables	\$ 823,258	\$ 1,142,205
Other accrued liabilities	249,119	589,683
	\$ 1,072,377	\$ 1,731,888

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

Pioneering Technology Corp.

Notes to the Financial Statements

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16. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Related party transactions and balances are as follows:

	2021	2020
Type of payment:		
Key management salaries and contingent compensation	\$ 298,438	\$ 425,750
Value of key management stock options	-	39,476
Value of director stock options	-	19,738
Key management compensation	\$ 298,438	\$ 484,964
Amounts due to related parties at year end	\$ 5,133	\$ 7,500

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.

As at September 30, 2021, the Company's Key Management and members of the Board of Directors held 2,200,000 (2020 - 4,240,000) of the outstanding stock options (Note 11).

17. SEGMENTED INFORMATION

The Company operates in one business segment being the development, manufacture and sale of products intended to save energy and offer consumer convenience and safety. In addition, the Company operates in only one geographical segment, Canada, although it does service its U.S. clients by shipping and invoicing from its facilities in Mississauga, Ontario. Some deliveries are routed through an independent warehouse in the United States. The breakdown of the Company's revenues by geographic areas for the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
Canada	16%	4%
United States	84%	96%
	100%	100%

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

18. 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 also introduced its own 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 September 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 2021, the Company determined that it met the employer eligibility criteria and applied for CEWS between October and September 2021 and as a result, recognized \$230,150 (2020 - \$175,475) in government grants under the payroll support program, which has been allocated to the financial statements as follows:

	2021	2020
Administration	\$ 49,784	\$ 50,136
Sales and marketing	142,276	100,271
Research and development	38,090	25,068
	\$ 230,150	\$ 175,475

As at September 30, 2021, \$20,837 (2020 - \$104,327) of the amount recognized was recorded as a receivable within trade and other receivables (note 14).

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 2021, the Company determined that it met the tenant eligibility criteria and applied for CERS for the program between October 2020 and September 2021 and as a result, recognized \$132,350 (2020 - \$nil) in government grants under the rent subsidy program, which has been recorded within administration expenses on the statement of income (loss) and comprehensive income (loss).

As at September 30, 2021, \$10,643 (2020 - \$nil) of the amount recognized was recorded as a receivable within trade and other receivables (note 14).