



Pioneering Technology Corp.

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

January 30, 2023

This Management Discussion and Analysis (“MD&A”) is prepared as at January 30, 2023 and should be read in conjunction with the audited financial statements and related notes of Pioneering Technology Corp. (“Pioneering” or the “Company”) for the fiscal year ended September 30, 2022, along with the audited financial statements and related notes of the Company for fiscal 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.

Smart Burner™ (SB) is an easy to install (plug and play) version of the STE that delivers all the benefits of the STE but does not require professional installation. This product is targeted to multi-residential channels but is also available to consumers at retail or online. 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 was down approximately 27% to \$2,437,866 in fiscal 2022 as compared to revenue of \$3,351,014 in fiscal 2021. Loss for the year decreased to \$(625,233) versus a loss of \$(1,315,955) in 2021. Adjusted EBITDA was \$(273,912), improved from Adjusted EBITDA of \$(1,053,904) in 2021. Tariff Adjusted EBITDA was \$(122,949) compared to Tariff Adjusted EBITDA in 2021 of \$(838,416).

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.

Gross profit margin for the fiscal year 2022 was 50%, an improvement over the gross profit margin of 44% in the prior year, due to initiatives implemented by the Company to offset the impact of tariffs imposed by the United States on products produced in China and sold in the United States and price increases from the Company's supply partners.

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 the Company can take advantage of new opportunities and meet increasing customer demand.

2023 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 2023, 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 profitability in fiscal 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 fiscal 2023 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 2022, the Company implemented a number of effective lead generation, data analysis and CRM tools to assist in these efforts. In 2023, 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 2022, the Company continued to successfully implement a multi-faceted plan to improve gross margins by increasing selling prices, monitoring costs and product pricing. The Company will continue to execute against this plan in 2023 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. In 2023 and beyond the Company also 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 to its advantages in this regard into longer term partnering opportunities/synergies/alliances.

Results of Operations

Impact of U.S. Tariffs

As indicated below, although the Company improved gross margins during fiscal 2022, revenue and profitability continued to be adversely affected by the continuing pandemic and the impact of U.S. tariffs.

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:

- Working 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.
- Negotiating price increases with its key distributors.

While the Company's initiatives are helping to mitigate the consequences of the tariffs and will continue to improve its gross margins in 2023, 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 September 30, 2022 Compared to Three Months Ended September 30, 2021

Revenue for the three months ended September 30, 2022, was \$542,574 compared to \$369,215 during the same period in 2021, an increase of \$168,610. The pandemic and related public health measures forced many of the Company's end-customers to focus on implementing COVID-19 and other related safety measures at their properties to protect tenants and staff. This has created delays in capital expenditures related to purchases and installations of the Company's products.

Gross profit for the three months ended September 30, 2022, was \$320,142 or 59% of revenues as compared to gross profit of \$156,214 or 42% of revenues during the three months ended September 30, 2021. This increase in gross margin is as a result of the Company increasing selling prices and focusing on strategically addressing some of the increased costs that are out of their control. The Company has negotiated new costs, eliminated some non-essential components without affecting efficacy and by reworking its shipping and fulfillment processes.

During the three months ended September 30, 2022, the Company incurred approximately \$451,835 in expenses, a 7% increase compared to \$422,953 during the same period last year.

Net loss for the period was \$(152,574) versus a net loss of \$(283,737) in the same period last year. COVID-19 continued to adversely affect the Company's revenue during the period. It is expected that this situation will improve in 2023.

Year Ended September 30, 2022 Compared to Year Ended September 30, 2021

For the year ended September 30, 2022, revenue was \$2,437,866, down approximately 27% versus \$3,351,014 for the same period a year ago. This decline was primarily due to the impact of COVID-19. Further, standard sales incentives offered to partner distributors in the normal course of business (e.g., early payment discounts, volume rebates and market development funds) impacted revenue negatively.

Gross profit for the year ended September 30, 2022 was \$1,219,479, or 50% of revenues as compared to gross profit of \$1,458,495 or 44% of revenues during the year ended September 30, 2021. The increase in gross profit margin from 44% to 50% is due to the cost savings initiatives implemented by the Company during 2021 that continued into 2022 as well as price increases.

For the year ended September 30, 2022, total expenses were \$1,761,070, representing a decrease of \$932,055 or 35% from the same period last year. This decrease can be attributed to the Company's effort to control expenses in areas that do not directly impact revenue generation or new product development.

Net loss for the year ended September 30, 2022, was \$(625,233) versus a net loss of \$(1,315,995) in the same period last year. While COVID continued to adversely affect the Company's revenue during the year, the Company has managed its expenses accordingly.

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, caused massive disruption to businesses globally during fiscal 2022 and 2021, 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.

In particular, 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.

For the fiscal year ended September 30, 2022, 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. This program subsequently changed on October 24, 2021 and became the Hardest Hit Business Recovery Program (“HHBRP”), however it continued to provide wage subsidies for employers that qualified.

For the year ended September 30, 2022, the Company determined that it met the employer eligibility criteria and applied for CEWS/HHBRP and as a result, recognized \$64,040 (2021 - \$230,150) 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 2022, the Company determined that it met the tenant eligibility criteria and applied for CERS for the program between October 2021 and May 2022 and as a result, recognized \$63,230 (2021 - \$132,350) 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 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.

	<u>For the year ended September 30</u>	
	2022	2021
Net loss for the period	\$ (625,233)	\$ (1,315,955)
Deferred tax expense	-	-
Fair value movement - derivative liability	-	(1,236)
Depreciation of property plant and equipment	188,281	201,807
Amortization of patents and intangibles	12,427	17,146
Stock based compensation	-	2,623
Unrealized foreign exchange gain (loss)	66,970	(45,599)
Interest expense	83,642	87,310
Adjusted EBITDA	<u>\$ (273,913)</u>	<u>\$ (1,053,904)</u>

	<u>For the quarter ended September 30</u>	
	2022	2021
Net loss for the period	\$ (152,547)	\$ (283,737)
Deferred tax expense	-	-
Fair value movement - derivative liability	-	-
Depreciation of property plant and equipment	43,030	44,575
Amortization of patents and intangibles	3,107	3,831
Stock based compensation	-	629
Unrealized foreign exchange gain (loss)	(55,438)	23,509
Interest expense	20,854	21,747
Adjusted EBITDA	<u>\$ (140,994)</u>	<u>\$ (189,446)</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.

	<u>For the year ended September 30</u>	
	2022	2021
Adjusted EBITDA	\$ (273,913)	\$ (1,053,904)
Tariff and tariff related costs	150,963	215,488
Tariff Adjusted EBITDA	<u>\$ (122,950)</u>	<u>\$ (838,416)</u>

	<u>For the quarter ended September 30</u>	
	2022	2021
Adjusted EBITDA	\$ (140,994)	\$ (189,446)
Tariff and tariff related costs	28,794	12,695
Tariff Adjusted EBITDA	<u>\$ (112,200)</u>	<u>\$ (176,751)</u>

Selected Annual Information

<u>For The Years Ended (\$'000's)</u>			
	Sep 30 2022	Sep 30 2021	Sep 30 2020
Revenues	2,437.9	3,351.0	6,540.6
Loss	(625.2)	(1,316.0)	(883.3)
Assets	5,859.1	6,565.0	8,818.0
Non-current liabilities	1,419.6	1,511.6	1,594.9
Earnings (loss) per share (basic)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Earnings (loss) per share (diluted)	\$ (0.01)	\$ (0.03)	\$ (0.02)

Selected Quarterly Results

For the Quarters Ended (\$'000's)								
	Fiscal 2022				Fiscal 2021			
	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020
Revenues	542.57	619.16	810.35	465.78	369.20	837.90	1,037.80	1,106.10
Gross Profit	320.14	294.67	355.93	248.73	156.20	350.20	521.50	430.60
Freight Adjustment	\$ -	\$ -	29.10	(29.10)	\$ -	\$ -	\$ -	\$ -
Adjusted Gross Margin	320.14	294.67	385.03	219.63	156.20	350.20	521.50	430.60
Gross Profit %	59.0%	47.6%	47.5%	47.2%	42.3%	41.8%	50.3%	38.9%
Expenses	451.84	391.66	437.61	479.96	423.00	537.40	650.30	1,082.40
Interest & Other Expenses	20.85	20.26	20.94	21.59	17.00	21.30	21.50	21.50
Income (loss)	(152.55)	(117.25)	(102.62)	(252.82)	(283.70)	(208.50)	(150.30)	(673.50)
Earnings (loss) per share (basic)	\$ -	\$ -	\$ -	\$ (0.01)	\$ (0.02)	\$ -	\$ -	\$ (0.01)
Earnings (loss) per share (diluted)	\$ -	\$ -	\$ -	\$ (0.01)	\$ (0.02)	\$ -	\$ -	\$ (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 2023 and to fund future planned growth and development activities. As at September 30, 2022, the Company had cash on hand of \$0.9m and positive working capital of \$3.0m.

Management reviews its approach to capital management on an ongoing basis and believes that its approach, given the relative size of the Company and the current state of the development stage of its products, is reasonable.

There were no changes in the Company's approach to capital management during the year.

Disclosure of Outstanding Share Information

The following table sets forth information concerning the issued securities of the Company as at January 30, 2023.

Description	Number
Common Shares:	
Outstanding at September 30, 2022	56,041,746
Issued	-
Outstanding at January 30, 2023	56,041,746
Stock Options:	
Outstanding at September 30, 2022	2,525,000
Expired	(0)
Forfeited	(0)
Outstanding at January 30, 2023	2,525,000

Contingencies and Commitments

As at January 30, 2023, management is not aware of any material liabilities, contingent or otherwise, that have not been recorded in financial statements of the Company as at September 30, 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:

	2022	2021
Type of payment		
Compensation and benefits	\$ 246,750	\$ 298,438
	\$ 246,750	\$ 298,438
Amounts due to related parties at year end	\$ 927	\$ 5,133

The amounts due to related parties are included in the trade payables and accrued liabilities. The Company defines Key Management as its CEO and its Board of Directors.

Stock options held by related parties and Board of Directors under the stock option plan to purchase ordinary shares have the following expiry dates and exercise prices:

Issuance Date	Expiry Date	Exercise Price	September 30 2021
		\$	Number Outstanding
February 2020	February 2025	\$0.14	1,350,000
			<u>1,350,000</u>

Management’s Responsibility for Financial Information

The financial statements of the Company and all the information in this report are the responsibility of management and the Board of Directors.

The financial statements have been prepared by management in accordance with IFRS. Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements. Management believes that these financial statements fairly present the Company’s financial position, results of operations and cash flows.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The board carries out this responsibility principally through the Audit Committee which consists of three independent directors appointed by the Board.

The Audit Committee meets periodically with management as well as with the independent external auditors to discuss auditing matters and financial reporting issues. The Audit Committee reviews the financial statements and external auditors’ report thereon and reports its findings to the board for consideration when the Board approves the financial statements for issuance to the Company’s shareholders. The Committee also considers, for review by the Board and approval by shareholders, the engagement or reappointment of the external auditors. The external auditors have full and free access to the Audit Committee.

Risks and Uncertainties

Readers should consider the risks and other information included in the Company’s audited financial statements and related notes for the year-ended September 30, 2022.