



Pioneering Technology Corp.

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

January 28, 2025

This Management Discussion and Analysis (“MD&A”) is prepared as at January 28, 2025 and should be read in conjunction with the audited consolidated financial statements and related notes of Pioneering Technology Corp. (“Pioneering” or the “Company”) for the year ended September 30, 2024, along with the audited consolidated financial statements and related notes of the Company for year ended September 30, 2023, 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.sedarplus.ca.

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 using 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, depreciation of property and equipment, amortization of patents and intangibles, stock-based compensation, unrealized foreign exchange, interest expense, interest income and other non-recurring gains or losses. 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

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 audited consolidated 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 IFRS meaning 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 over 49% of all reported home fires. This equates to approximately 172,000 cooking related structure fires and \$1.1 billion in direct property damage annually and Indirect costs of 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 49% in 2023 and are 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 starting in the first place. They help reduce energy consumption and deliver a proven return on investment. Pioneering's patented "temperature limiting control (TLC) technology[®]" and products have been recognized by the fire prevention community as the most compelling technology and products available in the market today that help prevent cooking fires and help solve the multi-billion-dollar cooking fire problem. Pioneering has installed over 1.6 million of its TLC burners to date without a single confirmed cooking fire. These technology/product solutions that protect people and properties include but are not limited to:

The **Smart Element (SE)** cooking system, (previously known as Safe-T-element "STE") is 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 Pioneering's "SE" that delivers all the benefits of the Smart Element 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 (TLC) technology[®] has been installed on over 1.6 million burners without a single cooking fire.

The **SmartMicro[™] (SM)** - (Safe-T-sensor 2.0), 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 has other products solutions and is focused on commercializing/distributing other fire prevention technologies and product opportunities 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.

Overall Performance

Revenue for the year ended September 30, 2024 decreased slightly at \$2,742,504 as compared to revenue of \$2,872,013 during the year ended September 30, 2023. The Company has recently experienced increased competitive activity given the size of the cooking fire prevention opportunity and increased customer awareness of the requirement to meet new standards. Pioneering is now focused on leveraging its return-on-investment advantage against these competing product offerings, its focus on prevention versus protection and its superior performance and track record compared to new cooking fire safety offerings that have entered the market.

Net loss for the year was \$952,556 versus a loss of \$671,813 in 2023. Adjusted EBITDA for the period was \$(716,836), a decrease from Adjusted EBITDA of \$(537,407) in 2023. Tariff Adjusted EBITDA was \$(583,037) compared to Tariff Adjusted EBITDA in 2023 of (\$452,577).

Gross profit margin for the year 2024 was 49%, an increase from gross profit margin of 47% during the prior year. The Company has successfully adjusted some of its costs and pricing, and shipping costs have returned to pre-pandemic levels. These cost management initiatives have been offset in part by a return to pre-pandemic sales and marketing spending. In light of soft revenue, the Company made some spending cuts in Q3/Q4 of 2024 which will become more evident going forward.

2025 Strategic Objectives

The Company is cautiously optimistic that more favourable operating conditions will emerge in 2025, removing a number of the challenges it has faced over the past few years.

While revenue remained flat in 2023, the Company continues to define success as a return to profitability in 2025 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 control gross margins.

The Company's 2025 strategic plan, as with its 2024 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 2024, the Company implemented a number of effective lead generation, data analysis and CRM tools to assist in these efforts. In 2025, the Company is focused on generating profits from its core business, while growing its new business opportunities and long-term pipeline. The Company also expects to introduce new product offerings in 2026 to broaden its reach and extend its customer engagements.

2. More Effective Planning and Execution: In 2025, the Company will optimize newly acquired/better resources and partners to deliver more effective planning and execution. Newly incorporated professional marketing capabilities and automated marketing activities will target specifically identified needs and behaviours in a cost-efficient manner.

3. Take a Targeted Approach to Existing Business Channels: In 2025 and beyond the Company intends to take a targeted approach to each channel opportunity it is focused on with individual goals, tactics, revenue targets and accountable channel owners and responsible support teams working in tandem to drive higher close rates amongst a larger qualified lead base.

4. Leverage Pioneering's Product Advantage: The Company will continue to differentiate its superior capabilities versus new competitors who have recently entered the market. The Company is investing time and resources in collaborative efforts with the U.S. fire service community to set Pioneering and its products apart from its competition.

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

Revenue for the three months ended September 30, 2024 was \$675,029 compared to \$682,964 during the same period in 2023, a decrease of \$7,935. The Company invested in sales and marketing and pipeline development at the beginning of 2024, but when sales remained flat the Company reduced some of its marketing spend. The Company believes that its sales and marketing activities in 2024 will have an impact on 2025 sales development.

Gross profit for the three months ended September 30, 2024 was \$314,934 or 47% of revenues as compared to gross profit of \$283,747 or 42% of revenues during the three months ended September 30, 2023. This increase in gross margin is as a result of price increases put in place to reflect current costs and market conditions.

During the three months ended September 30, 2024 the Company incurred approximately \$557,671 in expenses, a 1% decrease compared to \$561,163 during the same period last year. Year over year our overhead was similar which resulted in the slightly lower costs.

Net loss for the period was (\$260,715) versus a net loss of (\$251,699) in the same period last year. This increased loss compared to a year ago was driven by the higher margins offset by lower interest income.

Year Ended September 30, 2024 Compared to Year Ended September 30, 2023

For the year ended September 30, 2024 revenue was \$2,742,504, a decrease of approximately 5% versus \$2,872,013 for fiscal 2023. As mentioned previously, the Company invested in sales and marketing and pipeline development in fiscal 2024, but these efforts did not lead to meaningful increases in sales so the Company cut some of its sales and marketing expenses in the second half of 2024. The Company believes that its sales and marketing activities in 2024 will have an impact on 2025 sales development.

Gross profit for the year ended September 30, 2024 was \$1,339,037, or 49% of revenues as compared to gross profit of \$1,339,320 or 47% of revenues during the year ended September 30, 2023. The increase in gross profit margin from 47% to 49% is due in large part to reduced pricing discounts on sales in fiscal 2024 relative to fiscal 2023.

For the year ended September 30, 2024 total expenses were \$2,258,983, representing an increase of \$276,239 or 14% from the same period last year. This increase can mainly be attributed to two things:

- one-time general and administrative expenses that were reversed in Q2 of the prior year in the amount of \$202,126; and
- sales and marketing costs increased to \$980,135 during fiscal 2024 from \$799,961 in the prior year an increase of \$180,168. The Company increased its investment in sales and marketing activities back to pre-pandemic levels for the first half of 2024 in an effort to increase awareness and sales. In Q3 and Q4 the Company began reducing its expenses to focus only on those activities that will drive sales.

Net loss for the year ended September 30, 2024, was \$(952,556) versus a net loss of \$(671,813) in the same period last year.

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, depreciation of property and equipment, amortization of patents and intangibles, stock-based compensation, unrealized foreign exchange, interest expense, interest income and other non-recurring gains or losses. Management believes Adjusted EBITDA is a useful measure that facilitates period-to-period operating comparisons.

	For the year ended September 30	
	2024	2023
Net profit/(loss) for the period	\$ (952,556)	\$ (671,813)
Deferred tax expense	-	-
Depreciation of property plant and equipment	152,138	156,318
Amortization of patents and intangibles	6,090	8,699
Stock based compensation	27,154	76,961
Unrealized foreign exchange gain (loss)	17,728	(60,239)
Gain on derecognition of lease	-	(9,472)
Interest expense	75,513	(79,711)
Interest income	(42,903)	41,850
Adjusted EBITDA	\$ (716,836)	\$ (537,407)

	For the three-months ended September 30	
	2024	2023
Net profit/(loss) for the period	\$ (260,715)	\$ (245,589)
Deferred tax expense	-	-
Depreciation of property plant and equipment	43,152	1,439
Amortization of patents and intangibles	1,522	2,175
Stock based compensation	-	76,961
Unrealized foreign exchange gain (loss)	(5,081)	8,046
Gain on derecognition of lease	-	(9,472)
Interest expense	18,435	19,495
Interest income	(9,929)	(41,850)
Adjusted EBITDA	\$ (212,616)	\$ (188,795)

*See Non-IFRS Measures note on Page 2

Tariff Adjusted EBITDA

The Company has provided a reconciliation of Tariff Adjusted EBITDA to Adjusted EBITDA in the following table. Tariff Adjusted EBITDA is defined as Adjusted EBITDA adjusted for tariff and tariff related costs.

For the period ended June 30	For the year ended September 30	
	2024	2023
Adjusted EBITDA	\$ (716,835) \$	(537,407)
Tariff and tariff related costs	133,799	84,830
Tariff Adjusted EBITDA	\$ (583,037) \$	(452,577)

For the period ended June 30	For the three-months ended September 30	
	2024	2023
Adjusted EBITDA	\$ (212,616) \$	(188,795)
Tariff and tariff related costs	35,002	59,951
Tariff Adjusted EBITDA	\$ (177,614) \$	(128,844)

Selected Annual Information

For The Years Ended (\$'000's)			
	Sep 30 2024	Sep 30 2023	Sep 30 2022
Revenues	2,742.5	2,872.0	2,437.9
Loss	(952.6)	(671.8)	(625.2)
Assets	3,533.0	4,693.5	5,859.1
Non-current liabilities	697.3	926.0	1,419.6
Earnings (loss) per share (basic)	\$ (0.02)	\$ (0.01)	\$ (0.01)
Earnings (loss) per share (diluted)	\$ (0.02)	\$ (0.01)	\$ (0.01)

Selected Quarterly Results

For the Quarters Ended (\$'000's)								
	Fiscal 2024				Fiscal 2023			
	Sep 30 2024	Jun 30 2024	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022
Revenues	675.00	890.21	523.63	653.66	682.96	1,012.41	713.81	462.83
Gross Profit	314.90	385.76	253.10	385.28	283.75	509.70	323.10	222.77
Gross Profit %	46.7%	43.3%	48.3%	58.9%	41.5%	50.3%	45.3%	48.1%
Expenses	562.03	505.86	592.48	598.61	561.16	687.56	297.10	436.92
Interest & Other Expenses	13.92	11.54	8.00	(0.85)	(31.83)	19.33	20.08	20.81
Income (loss)	(261.06)	(131.64)	(347.38)	(212.48)	(245.59)	(197.19)	5.92	(234.96)
Earnings (loss) per share (basic)	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ -	\$ -
Earnings (loss) per share (diluted)	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ -	\$ -

Liquidity, Capital Management

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

The Company manages its capital structure and adjusts it, based on the funds available to the Company, to support the growth and development of its operations and brings new products to market and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company will continue to assess new opportunities and seek to acquire an interest in growth situations if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

The Company has historically relied on equity and debt financing as well as cash generated by ongoing operations to fund its capital requirements.

The Company expects that its existing cash on hand, together with cash generated from operations and availability under its existing revolving demand facility, will be sufficient to fund its working capital requirements for fiscal 2024 and to fund future planned growth and development activities. As at September 30, 2024, the Company had cash on hand of \$0.7m and positive working capital of \$1.6m.

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

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

Disclosure of Outstanding Share Information

The following table sets forth information concerning the issued securities of the Company as at January 28, 2025.

Description	Number
Common Shares	
Outstanding at September 30, 2023	56,041,746
Issued	-
Outstanding at September 30, 2024	56,041,746
Stock Options	
Outstanding at September 30, 2024	9,775,000
Expired	-
Forfeited	-
Outstanding at September 30, 2024	9,775,000

Contingencies and Commitments

As at January 28, 2025, management is not aware of any material liabilities, contingent or otherwise, that have not been recorded in consolidated financial statements of the Company as at September 30, 2024. 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:

	September 30, 2024		September 30, 2023	
Type of payment				
Compensation and benefits	\$	246,750	\$	246,750
Stock option expense		12,926	\$	20,147
	\$	259,676	\$	266,897
Amounts due to related parties at year end	\$	40,129	\$	5,778

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	30-Sep 2024 Number Outstanding
February 2020	February 2025	\$0.14	1,350,000
May 2023	May 2028	\$0.05	<u>3,450,000</u>
			<u><u>4,800,000</u></u>

Management’s Responsibility for Financial Information

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

The consolidated 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 consolidated financial statements. Management believes that these consolidated financial statements fairly present the Company’s consolidated 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 consolidated 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 consolidated financial statements and external auditors’ report thereon and reports its findings to the board for consideration when the Board approves the consolidated 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 consolidated financial statements and related notes for the year-ended September 30, 2024.