



Pioneering Technology Corp.

Audited Financial Statements

September 30, 2019 and 2018

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 24, 2020

INDEPENDENT AUDITOR'S 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, 2019 and September 30, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and September 30, 2018, and results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 the 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 Management's Discussion and Analysis prior to the date of this auditor's 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. 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.

Auditor's 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. 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.

We 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.

We also 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 independent auditor's report is Grand Lui.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 28, 2020
Toronto, Ontario

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

	Note	2019	2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash		1,930,945	3,668,360
Trade and other receivable	14	423,815	763,887
Inventories	6	4,281,612	4,191,681
Prepaid expenses and deposits		88,656	385,857
		6,725,028	9,009,785
Property and equipment	9	826,572	921,510
Patents and intangibles	10	72,752	77,322
Deferred tax asset	13	-	1,200,000
TOTAL ASSETS		7,624,352	11,208,617
LIABILITIES			
CURRENT LIABILITIES			
Trade payables and accrued liabilities	15	1,004,677	1,031,153
Derivative liability	11(d)	216	1,057
		1,004,893	1,032,210
Other long-term liabilities	8	353,617	350,810
TOTAL LIABILITIES		1,358,510	1,383,020
SHAREHOLDERS' EQUITY			
Common share capital	11(a)	17,974,857	17,974,857
Preferred shares	11(a)	1	1
Contributed surplus	11(c)	2,060,719	3,683,410
Accumulated other comprehensive loss		(118,183)	(342,594)
Deficit		(13,651,552)	(11,490,077)
TOTAL SHAREHOLDERS' EQUITY		6,265,842	9,825,597
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		7,624,352	11,208,617

Commitments and Contingencies 12

Approved by:

"Kevin Callahan"

"Richard Adair"

Kevin Callahan

Richard Adair

Director

Director

Pioneering Technology Corp.

Statements of Loss and Comprehensive Loss

 For the year ended September 30th

(Expressed in Canadian Dollars)

	Note	2019	2018
		\$	\$
REVENUE		3,941,621	4,749,536
COST OF GOODS SOLD		1,706,426	2,301,257
GROSS PROFIT		2,235,195	2,448,279
EXPENSES			
Sales and marketing	11(c)	1,782,480	2,401,483
Administration	11(c)	2,371,234	2,655,562
Warehousing, distribution and warranty costs		293,838	325,881
Foreign exchange loss		105,269	207,759
Research and development costs	11(c)	163,212	414,932
Depreciation of property and equipment	9	149,506	61,551
Amortization of patents and intangibles	10	25,370	4,924
TOTAL EXPENSES		4,890,909	6,072,092
LOSS BEFORE OTHER INCOME, INTEREST AND GUARANTEE FEE, FAIR VALUE MOVEMENT - DERIVATIVE LIABILITY AND INCOME TAXES		(2,655,714)	(3,623,813)
Other income		-	64,971
Interest and guarantee fee		(865)	(2,277)
Fair value movement - derivative liability	11(d)	841	673,105
LOSS BEFORE INCOME TAXES		(2,655,738)	(2,888,014)
Income tax expense	13	(1,200,000)	(417,315)
LOSS FOR THE YEAR		(3,855,738)	(3,305,329)
OTHER COMPREHENSIVE INCOME (LOSS)			
Currency translation differences (may be subsequently reclassified to net income)		224,411	252,763
COMPREHENSIVE LOSS FOR THE YEAR		(3,631,327)	(3,052,566)
Income (loss) per share - basic		\$ (0.07)	\$ (0.06)
Income (loss) per share - diluted		\$ (0.07)	\$ (0.06)
Comprehensive income (loss) per share - basic		\$ (0.06)	\$ (0.05)
Comprehensive income (loss) per share - diluted		\$ (0.06)	\$ (0.05)
Weighted average number of common shares outstanding			
Outstanding - basic		56,041,746	56,001,801
Outstanding - fully diluted		56,041,746	56,001,801

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, 2018		56,041,746	\$ 17,974,857	20,533,133	\$ 1	3,683,410	(342,594)	(11,490,077)	9,825,597
Stock-based compensation expense	11	-	-	-	-	71,572	-	-	71,572
Stock options expired and forfeited	11	-	-	-	-	(1,694,263)	-	1,694,263	-
Comprehensive (loss) income for the year		-	-	-	-	-	224,411	(3,855,738)	(3,631,327)
Balance, September 30, 2019		56,041,746	\$ 17,974,857	20,533,133	\$ 1	\$ 2,060,719	\$ (118,183)	\$ (13,651,552)	\$ 6,265,842

	Note	Common shares		Preferred shares		Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total Equity \$
		Number	Amount	Number	Amount				
Balance, October 1, 2017		55,701,746	\$ 17,838,557	20,533,133	\$ 1	2,522,265	(595,357)	(8,184,748)	11,580,718
Stock options exercised	11	340,000	136,300	-	-	(67,800)	-	-	68,500
Stock-based compensation expense	11	-	-	-	-	1,228,945	-	-	1,228,945
Comprehensive (loss) income for the year		-	-	-	-	-	252,763	(3,305,329)	(3,052,566)
Balance, September 30, 2018		56,041,746	\$ 17,974,857	20,533,133	\$ 1	\$ 3,683,410	\$ (342,594)	\$ (11,490,077)	\$ 9,825,597

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

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Loss for the year	(3,855,738)	(3,305,329)
Items not affecting cash		
Depreciation of property and equipment	149,506	61,551
Amortization of patents and intangibles	25,370	4,924
Income tax expense	1,200,000	417,315
Fair value movement - derivative liability	(841)	(673,105)
Unrealized foreign exchange loss (gain)	12,010	1,944
Stock-based compensation expense	71,572	1,228,945
	(2,398,121)	(2,263,755)
Change in non-cash working capital balances		
Trade and other receivables	358,387	1,748,881
Inventories	31,357	(2,884,600)
Prepaid expenses and deposits	302,683	(80,142)
Trade payables and accrued liabilities	(50,315)	(64,313)
Other long-term liabilities	2,807	350,810
	(1,753,202)	(3,193,119)
INVESTING ACTIVITIES		
Purchase of property and equipment	(35,189)	(926,608)
Purchase of patents and intangibles	(20,800)	(71,815)
	(55,989)	(998,423)
FINANCING ACTIVITIES		
Proceeds from stock options exercised	-	68,500
	-	68,500
NET CHANGE IN CASH DURING IN THE YEAR	(1,809,191)	(4,123,042)
Foreign currency movement in cash balances	71,776	274,211
CASH - BEGINNING OF YEAR	3,668,360	7,517,191
CASH - END OF YEAR	1,930,945	3,668,360
SUPPLEMENTAL DISCLOSURE		
Interest paid	865	2,277

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 Av. Mississauga, ON L4W 5K5 The Company’s website is www.pioneeringtech.com.

2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICY

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, 2018, 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 24, 2020.

2.2 Adoption of new accounting standards

IFRS 9, Financial Instruments: Classification and Measurement (“IFRS 9”)

IFRS 9 was issued by the IASB in July 2014 and replaced IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward looking “expected credit loss” impairment model and a substantially reformed approach to hedge accounting to better link economics of risk management with its accounting treatment. The Company adopted IFRS 9 on October 1, 2018.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures or note disclosures. Any adjustments to the carrying amounts of financial assets and liabilities at the transition date are to be recognized in the opening retained earnings of the current year, however the Company assessed that no adjustments to the carrying amounts of financial assets and liabilities were required upon IFRS 9 adoption. For note disclosures, the consequential amendments to IFRS 7, *Financial Instruments: Disclosures* (“IFRS 7”) have been applied to the current year with no change to prior year comparative period notes disclosures.

The adoption of IFRS 9 has resulted in changes in the Company’s accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. However, the impact of adoption of IFRS 9 on the Company resulted in no changes to the carrying amounts of financial assets or liabilities.

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 consolidated statements of loss.

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

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.

The table below illustrates the classification and measurement of financial assets and liabilities under IFRS 9 and IAS 39 at the date of initial application, October 1, 2018.

Asset/Liability	IAS 39	IFRS 9	IAS 39 Amount	Reclassifications	IFRS 9	IFRS 9 Amount
	Classification	Classification			Allowance	
Cash (a)	Loans and receivables	Amortized cost	\$ 3,668,360	\$ -	\$ -	\$ 3,668,360
Trade receivables (a)	Loans and receivables	Amortized cost	661,072	-	-	661,072
Trade and other payables	Other liabilities	Amortized cost	1,031,153	-	-	1,031,153
Derivative Liability	Fair value	Fair value	1,057	-	-	1,057

- (a) For both cash and trade receivables, the Company’s intent is to hold the assets to collect the contractual cash flows, and as such, they are classified as measured at amortized cost.

During the year ended September 30, 2019, the Company has not designated any debt investments that meet the amortized cost or FVTOCI criteria for FVTPL measurement nor has the Company elected to present any permitted equity investment for FVTOCI measurement. Additionally, none of the reclassifications of financial assets or liabilities reflected in the above table have had any impact on the Company’s statements of financial position or statements of loss and comprehensive loss as at the date of initial application.

The following table reconciles the prior year’s closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 ECL model at October 1, 2018:

Measurement category	IAS 39 Loss			IFRS 9 Loss	
	allowance	Reclassification	Remeasurement	allowance	
Loans and receivables (IAS 39) / Financial assets at amortized cost (IFRS9)					
Trade receivables	\$ 5,000	\$ -	\$ -	\$ 5,000	
Total	\$ 5,000	\$ -	\$ -	\$ 5,000	

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued by the IASB in May 2014 to replace IAS 18 and other interpretive guidance associated with revenue recognition. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. This is described further in the accounting policies below. Contracts with customers are presented in the Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. The new standard is intended to enhance disclosures about revenue, provide more guidance for transactions that were not previously addressed and improve guidance for multiple-element arrangements.

The Company adopted IFRS 15 using the modified retrospective approach method, which requires the cumulative effect of initially applying the standard to be recognized at the date of initial application, which is October 1, 2018, and the financial information previously presented for the year ended September 30, 2018 would remain unchanged. Therefore, the comparative information has not been restated and continues to be reported under IAS 18.

The Company elected the practical expedient whereby the incremental costs of obtaining a contract are expensed when incurred as the amortization period of such asset that the Company otherwise would have recognized is one year or less. Consideration is ordinarily collected within 30 days from the date of revenue recognition. Therefore, the transaction price is not adjusted for the effects of a significant financing component.

The Company only has revenue from contracts with customers and does not have any other revenue.

The adoption of IFRS 15 did not have a material impact on the Company's financial statements and revenue recognition practices.

2.3 Pending accounting changes*IFRS 16 – Leases*

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), which replaces IAS 17 - Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019, which will be October 1, 2019 for Pioneering. The Company is assessing the potential impact of this standard.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 was issued in June 2017 as a clarification to requirements under IAS 12, Income Taxes. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods on or after January 1, 2019. The Company is currently assessing the impact of IFRIC 23 may have on its financial statements.

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 judgements:

- Inventory valuation – the provision for obsolescence of inventory and the estimated net realizable value;
- Trade receivable valuation – recoverability of trade receivables through the allowance for doubtful accounts (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 inputs used in valuing stock options;
- 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.

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 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.

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 an estimated forfeiture rate. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 Managements sales expectations. Management reviews the entire provision to assess whether, based on economic conditions, it is adequate.

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 10 years

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 straight-line basis.

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.

Reversal of impairment

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

Comprehensive (loss) income / earnings (loss) per share

The basic comprehensive (loss) income per share is computed by dividing the comprehensive income (loss) / 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Other long-term liabilities**

The Company's other long-term liabilities consist of a leasehold inducement. Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rental payments payable under the lease are charged to the statement of income (loss) and comprehensive (loss) income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

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 recognized in other comprehensive income through the accumulated other comprehensive loss in equity.

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.

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, 2019.

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS

Financial instruments, by classification, comprise the following:

	Fair value hierarchy	2019	2018
		\$	\$
Financial assets			
<i>Amortized cost</i>			
Cash		1,930,945	3,668,360
Trade receivables		423,815	763,887
Financial liabilities			
<i>Amortized cost</i>			
Trade payables and accrued liabilities		1,004,677	1,031,153
<i>Fair value through profit or loss</i>			
Derivative liability	Level 2	216	1,057

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 receivable) 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 receivable and arises from the possibility that any counterparty to an instrument fails to perform. The Company has adopted 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, 2019 and 2018, the Company's maximum exposure to credit risk was the carrying value of cash and trade receivable.

Trade and other receivable

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, 2019, three (2018 – three) customers accounted for greater than 10% of the Company's trade receivable balance. In total, these customers accounted for 62% of the Company's trade receivable balance as at September 30, 2019 (2018 – 65%).

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.

5. FINANCIAL INSTRUMENTS (CONT'D)**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:

	2019	2018
	\$	\$
Cash	104,684	2,307,742
Trade and other receivable	116,932	501,161
Trade payables and accrued liabilities	928,360	955,956

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

Interest rate risk

The Company invests cash, surplus to its operational needs, in investment grade short term deposit certificates issued by the Canadian chartered bank where it keeps its operating accounts. 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.

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (CONT'D)**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	\$ 70,674	\$ (70,674)

6. INVENTORIES

Inventories are comprised of the following:

	2019	2018
	\$	\$
Finished goods	4,281,612	4,191,681
	4,281,612	4,191,681

Inventory expensed to cost of good sold during the year is \$1,687,766 (2018 - \$1,787,170).

7. BANK INDEBTEDNESS

The Company has a \$500,000 (2018 - \$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.

8. OTHER LONG TERM LIABILITIES

The Company has a liability for landlord incentive of \$380,490 (2018 - \$389,789) resulting from the recognition of all tenant inducements received due to the execution of the Company new head office lease. This liability will be amortized over the 10-year life of the lease. The short-term portion of \$26,873 (2018 - \$38,979) is included in the trade payables and accrued liabilities.

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(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 moulds \$	Fixtures and fittings \$	Automobiles	Leasehold improvements \$	Total \$
October 1, 2017	49,478	225,721	11,136	20,752	5,110	312,197
Additions	20,064	112,383	64,245	-	729,916	926,608
Disposals	-	-	-	-	-	-
October 1, 2018	69,542	338,104	75,381	20,752	735,026	1,238,805
Additions	11,205	12,797	1,380	-	9,807	35,189
Disposals	-	-	-	-	-	-
Net currency translation	-	-	-	-	21,532	21,532
September 30, 2019	80,747	350,901	76,761	20,752	766,365	1,295,526

Accumulated Depreciation	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles	Leasehold improvements \$	Total \$
October 1, 2017	33,097	195,281	10,603	12,707	4,056	255,744
Depreciation	8,222	29,847	1,766	2,414	19,302	61,551
Disposals	-	-	-	-	-	-
October 1, 2018	41,319	225,128	12,369	15,121	23,358	317,295
Depreciation	17,240	37,671	19,249	1,689	73,657	149,506
Disposals	-	-	-	-	-	-
Net currency translation	-	-	-	-	2,153	2,153
September 30, 2019	58,559	262,799	31,618	16,810	99,168	468,954

Carrying value	Computer hardware and software \$	Equipment small tools and moulds \$	Fixtures and fittings \$	Automobiles	Leasehold improvements \$	Total \$
October 1, 2017	16,381	30,440	533	8,045	1,054	56,453
October 1, 2018	28,223	112,976	63,012	5,631	711,668	921,510
September 30, 2019	22,188	88,102	45,143	3,942	667,197	826,572

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

10. PATENTS AND INTANGIBLES

Patents and intangible assets are comprised of the following:

Cost	Safe-T-Sensor \$	Trademarks \$	Patents \$	Website \$	Total \$
October 1, 2017	66,681	-	45,688	-	112,369
Additions	-	44,231	-	27,584	71,815
Disposals	-	-	-	-	-
October 1, 2018	66,681	44,231	45,688	27,584	184,184
Additions	-	-	-	20,800	20,800
Disposals	-	-	-	-	-
September 30, 2019	66,681	44,231	45,688	48,384	204,984

Accumulated amortization	Safe-T-Sensor \$	Trademarks \$	Patents \$	Website \$	Total \$
October 1, 2017	66,681	-	35,257	-	101,938
Amortization	-	1,102	3,131	691	4,924
Disposals	-	-	-	-	-
October 1, 2018	66,681	1,102	38,388	691	106,862
Amortization	-	12,939	2,190	10,241	25,370
Disposals	-	-	-	-	-
September 30, 2019	66,681	14,041	40,578	10,932	132,232

Carrying value	Safe-T-Sensor \$	Trademarks \$	Patents \$	Website \$	Total \$
October 1, 2017	-	-	10,431	-	10,431
October 1, 2018	-	43,129	7,300	26,893	77,322
September 30, 2019	-	30,190	5,110	37,452	72,752

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(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 10,330,163 common shares of the Company.

At September 30, 2019, the Company had 3,392,663 (September 30, 2018 – 1,668,663) stock options available for issuance.

c) Contributed surplus

Contributed surplus is comprised of the following:

	2019	2018
	\$	\$
Stock options	1,931,207	3,553,898
Broker warrants	129,512	129,512
	2,060,719	3,683,410

Stock option activity for the years ended September 30, 2019 and September 2018 were as follows:

	2019		2018	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Balance, beginning of year	\$ 0.53	5,539,000	\$ 0.51	5,879,000
Transactions during the year				
Exercised	\$ -	-	\$ 0.20	(340,000)
Forfeited	\$ 0.95	(700,000)	\$ -	-
Expired	\$ 0.15	(1,024,000)	\$ -	-
Outstanding, end of year	\$ 0.55	3,815,000	\$ 0.53	5,539,000
Exercisable, end of year	\$ 0.55	3,815,000	\$ 0.41	4,576,500

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(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, 2019:

Exercise Price	2019			2018		
	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable	Number of Options Outstanding	Weighted Average Remaining Life (Years)	Number of Exercisable
\$0.15	-	-	-	1,024,000	1.00	1,024,000
\$0.22	1,890,000	1.50	1,890,000	1,990,000	2.50	1,990,000
\$0.29	200,000	1.62	200,000	200,000	2.62	200,000
\$0.33	300,000	1.36	300,000	300,000	2.36	300,000
\$1.07	1,425,000	2.92	1,425,000	2,025,000	3.92	1,062,500
	3,815,000	2.02	3,815,000	5,539,000	2.74	4,576,500

Stock-based compensation expense related to options issued in 2017, and vesting in 2018 and 2019, was allocated to the financial statements as follows:

	2019	2018
	\$	\$
Administration	15,716	665,076
Sales and marketing	71,657	419,287
Research and development	(15,801)	144,582
	71,572	1,228,945

During the year, 250,000 unvested options were forfeited. The cumulative stock-based compensation expense of \$129,914 relating to the unvested options was recognized in current year income.

d) Private placement

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 and the following assumptions were used to calculate the derivative liability resulting from each warrants placement on date of issuance:

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (CONT'D)
d) Private placement (cont'd)

	2017
Risk-free interest rate	0.77%
Estimated life of options (years)	2.00
Expected volatility	115%
Expected dividends	\$ -
Market price of shares at date of issuance	\$ 1.00
Exercise price of options	\$ 1.80
Dividend yield	0%

For the warrants issued in this 2017 private placement, the following assumptions were used to calculate the fair value of the derivative liability as of September 30, 2019 and 2018:

	2019	2018
Risk-free interest rate	1.47%	2.18%
Estimated life of options (years)	1.47	0.48
Expected volatility	100%	125%
Expected dividends	\$ -	\$ -
Market price of shares	\$ 0.04	\$ 0.16
Exercise price of options	\$ 1.80	\$ 1.80
Dividend yield	0%	0%

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.

During the fourth quarter of 2016, the Company changed its functional currency from Canadian dollars to U.S. dollars. The warrants issued in the Company's private placement are classified as financial liabilities on the statement of financial position in 2017 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.

e) Warrants

During the year ended September 30, 2019, nil (2018 - nil) warrants were exchanged for common shares. As at September 30, 2019, 2,997,815 warrants were outstanding (2018 – 2,997,815).

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)
12. COMMITMENTS AND CONTINGENCIES

Pioneering leases its premises under a non-cancellable operating lease that expires in July 2028. Future minimum lease payments by year, and in the aggregate, are as follows:

	\$
2020	156,408
2021	160,366
2022	164,340
2023	168,421
2024	172,670
2025	176,997
2026	181,369
2027	185,972
2028	158,173
	1,524,716

Under the terms of the lease, the Company is also 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:

	2019	2018
	\$	\$
Current income tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	(141,768)	403,635
Recognition of previously unrecognized tax losses	-	13,680
Change in unrecognized tax losses	1,341,768	-
	1,200,000	417,315

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

13. INCOME TAXES (CONT'D)

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.

	2019	2018
	\$	\$
(Loss) income before income taxes	(2,655,738)	(2,888,014)
Combined basic Canadian corporate income tax rate	26.5%	26.5%
Income tax expense (recovery) based upon the above rate	(703,771)	(765,324)
Income tax on stock-based compensation	18,967	325,670
Non-deductible expenses and other	5,882	(171,137)
Recognition of previously unrecognized deductible temporary differences	6,608	-
Recognition of previously unrecognized tax losses	-	13,680
Change in unrecognized deductible temporary differences	1,872,314	1,014,426
	1,200,000	417,315

The Canadian statutory income tax rate of 26.5% (2018 – 26.5%) comprises the federal income tax rate at approximately 15% (2018 – 15%) and the provincial income tax rate of approximately 11.5% (2018 – 11.5%).

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

	2019	2018
	\$	\$
Deferred income tax assets		
Operating losses carried forward	2,607,657	2,077,113
Share issuance costs	79,365	123,444
Deferred lease inducement	100,830	-
Depreciable capital assets	47,288	-
Allowances and reserves	47,433	-
Other	4,165	13,869
	2,886,738	2,214,426
Less: Unrecognized temporary differences	(2,886,738)	(1,014,426)
Net deferred tax assets	-	1,200,000

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:

	2019	2018
	\$	\$
Non-capital losses	9,840,217	3,828,022
Reserves and other	1,053,135	-
Total unrecognized temporary differences	10,893,352	3,828,022

13. INCOME TAXES (CONT'D)

As at September 30, 2019, 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. At September 30, 2019, the Company has not recognized \$9,840,217 of the tax losses. These non-capital losses 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	2,015,603
	9,840,217

14. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables are from: trade receivables and customer sales 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, 2019. The following comprises trade and other receivables:

	2019	2018
	\$	\$
HST recoverable	38,179	102,815
Trade accounts receivable, net of allowance	385,636	661,072
	423,815	763,887

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

	2019	2018
	\$	\$
Less than 1 month	295,036	592,101
31-60 days	75,903	24,225
61-90 days	9,101	17,870
Over 90 days	10,596	31,876
Total trade accounts receivable	390,636	666,072
Less: Allowance for doubtful accounts	5,000	5,000
Net trade accounts receivable	385,636	661,072

Pioneering Technology Corp.

Notes to the Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)
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:

	2019	2018
	\$	\$
Trade payables	286,180	457,766
Other accrued liabilities	718,497	573,387
	1,004,677	1,031,153

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

16. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Related party transactions and balances are as follows:

	2019	2018
	\$	\$
Type of payment:		
Key management salaries and contingent compensation	438,317	539,562
Value of key management stock options	70,072	405,291
Value of director stock options	-	157,341
Other	49,175	-
Key management compensation	557,564	1,102,194
Amounts due to related parties at year end	6,980	5,750

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.

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, 2019 and 2018 are as follows:

	2019	2018
Canada	10%	18%
United States	90%	82%
	100%	100%

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