Pioneering Technology Corp.

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

For the three and nine months ended June 30, 2023 and 2022

August 29, 2023

This Management Discussion and Analysis ("MD&A") is prepared as at June 30, 2023 and should be read in conjunction with the unaudited condensed interim financial statements and related notes of Pioneering Technology Corp. ("Pioneering" or the "Company") for the three and nine month periods ended June 30, 2023, along with the audited annual financial statements and related notes of the Company for the year ended September 30, 2022, 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.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 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 guaranteeing 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 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 to help prevent cooking fires and to help solve the multi-billion-dollar cooking fire problem. Pioneering has installed over 1.5 million of its TLC burners to date without a single confirmed cooking fire. These product/technology solutions that protect people and properties include but are not limited to:

The **Smart Element (SE)** cooking system, (previously known as the Safe-T-element) 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 TLC technology that delivers all the benefits of the Smart Element but does not require a professional installation. This product is targeted to multi-residential channels but is also available to consumers online. Pioneering's patented temperature limiting control technology has been installed on over 1.5 million burners without a single cooking fire.

The **SmartMicro™ (SM)** (the 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 SM/STS deliver a significant and proven return on investment.

Other/New Products:
Pioneering has other product 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 increased by approximately 15% to $2,189,050 for the nine-month period ended June 30, 2023, versus $1,895,292 for the nine-month period ended June 30, 2022. The net loss for the nine-month period improved to $(426,225) versus a net loss of $(472,687) for the same period last year. This loss included $113,863 of expenses related to the issuance of stock options. Adjusted EBITDA for the nine-month period ended June 30, 2023 improved to $(66,779), versus Adjusted EBITDA of $(261,122) in the same period last year. Tariff Adjusted EBITDA for the nine-month period ended June 30, 2023 improved 110% to $18,051, versus Tariff Adjusted EBITDA of $(175,428) in the same period last year.

Revenue for the third quarter of 2023, ending June 30, 2023, increased to $1,012,406, which is 42% higher versus the previous quarter (Q2-2023) and is up approximately 64% versus the three-month period ended June 30, 2022. This represents the Company's best quarter over the past two years. We are starting to see sales improvements and believe these improving sales will continue in the quarters ahead. To help drive these sales, the Company has intentionally invested additional funding in marketing and sales.

The Company has shown continuing gross margin improvement with gross margins at 50% in the last quarter, which is our second best quarterly gross margin over the last eight quarters. . The net loss for the three-month period was $(197,190) versus a net loss of $(117,249) for the same period last year. This loss included $113,863 of expenses related to the issuance of stock options, a non-cash item, which if excluded decreases the loss to $(80,327). Adjusted EBITDA for the three-month period ended June 30, 2023 improved to $801, versus Adjusted EBITDA of $(53,074) in the same period last year. Tariff Adjusted EBITDA for the three-month period ended June 30, 2023 improved to $60,572, versus Tariff Adjusted EBITDA of $5,114 in the same period last year.

Results of Operations

Impact of U.S. Tariffs

Gross profit and profitability continue to be adversely affected by the impact of U.S. tariffs. The Company manufactures its products in China and most of its sales are in the United States. These sales are currently subject to a 25% tariff payable by the Company, resulting in a $165,288 increase in cost of goods sold ("COGS") during the nine-month period ended June 30, 2023 and a $80,458 increase in cost of goods during the three-month period ended June 30, 2023.

The Company has assumed that it will continue to pay the tariffs for the foreseeable future and has been implementing initiatives to offset the impact of these tariffs including:

- Cost reduction discussions with its manufacturing partners.
- Eliminating special volume incentives and discount programs.
- Negotiating price increases with key distributors and customers.
- Managing operating expenses and limiting those that do not directly contribute to sales growth or contribute to new product development.

While the Company expects that these measures will continue to help to mitigate the consequences of the tariffs and improve its gross margins going forward, there can be no assurance of the extent to which they will offset the entire impact of the U.S. tariffs on the Company's costs and profitability in future.

The Company will continue to manage its costs very carefully and in an appropriate manner relative to industry conditions and market opportunities.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Revenue during the quarter increased approximately 64% to $1,012,406 for the three-month period ended June 30, 2023, versus $619,161 for the three-month period ended June 30, 2022.

During the three months ended June 30, 2023, COGS as a percentage of revenue was 50%. This compares to average COGS of 52% for the three months ended June 30, 2022 and a continued improvement since the implementation of the U.S. tariffs. Gross profit for the three months ended June 30, 2023 was $509,701 or 50.3% of revenue as compared to gross profit of $294,668 or 47.6% of revenue during the three months ended June 30, 2022. This gross margin percentage improvement is based on the Company's ongoing commitment to managing its costs carefully and strategically, as appropriate based on market conditions.

During the three months ended June 30, 2023, the Company continued its focus on controlling administration costs and also invested in sales and marketing to increase future sales. The net result was that expenses in the quarter were $687,562, an increase of $295,901 or 76% over the same period a year ago. Sales and marketing expenses in the quarter were $230,869, an increase of $66,802 compared to a year ago. Foreign exchange loss in the quarter was $31,340 compared to a gain of $84,602 in the same period last year. This resulted in an increase of $115,942. Stock options issued in the quarter to key people (a non-cash item) increased expenses by $113,863. These three items are the main drivers of the increase in expenses during the quarter.

Net loss for the period was $(197,190) versus net loss of $(117,249) in the same period last year. Of this loss, approximately $114,000 is attributed to the issued stock options (a non-cash item). Adjusted EBITDA for the three-month period ended June 30, 2023 was positive at $801, versus Adjusted EBITDA of $(53,074) in the same period last year. Tariff Adjusted EBITDA for the three-month period ended June 30, 2023 was $60,752, versus Tariff Adjusted EBITDA of $5,114 in the same period last year.

Nine Months Ended June 30, 2023 Compared to Nine Months Ended June 30, 2022

Revenue increased by approximately 15% to $2,189,050 for the nine months ended June 30, 2023 versus $1,895,292 for the nine months ended June 30, 2022. The increase was driven by the completion during the period of delayed customer orders from prior periods as well as additional sales driven by increased marketing efforts. Standard sales incentives offered to partner distributors in the normal course of business (e.g., early payment discounts, volume rebates and market development funds) reduced revenue by $80,643.

Gross profit for the nine months ended June 30, 2023 was $1,055,573 as compared to gross profit of $899,337 during the nine months ended June 30, 2022 driven by the increase in revenues. At the same time gross profit margin was higher than the prior year period at 50.3% vs. 47.5% as a result of price increases put in place.

During the nine months ended June 30, 2023, the Company continued to control its expenses. The Company incurred $1,421,582 in expenses an 8.6% increase vs $1,309,237 in the same period last year. Year-to-date, administration expenses in the amount of $202,126 incurred in previous periods were reversed resulting in reduced expenses during the period. However, this was offset by increased foreign exchange losses of $30,449 in the current year versus a gain of $86,326 in the same period a year earlier. This was also offset by $162,169 of rent and wage subsidies received in the nine months ended June 30, 2022 that were not received this year. Additionally, as discussed above we have invested in sales and marketing expenses to increase sales. For the nine months ended June 30, 2023 these expenses were $540,684 versus $504,812 a year earlier, resulting in an increase of $35,872. Lastly, as discussed above, stock options issued to key people (a non-cash item) increased expenses by $113,863.

Net loss for the period was $(426,225) versus net loss of $(472,687) in the same period last year. Adjusted EBITDA for the nine-month period ended June 30, 2023 was $(66,779), versus Adjusted EBITDA of $(261,122) in the same period last year. Tariff Adjusted EBITDA for the nine-month period ended June 30, 2023 was $18,051, versus Tariff Adjusted EBITDA of $(175,428) 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, fair value movement - derivative liability, depreciation of property and equipment, amortization of patents and intangibles, stock-based compensation, unrealized foreign exchange, interest and guarantee fee and other non-recurring gains or losses including transaction costs related to acquisitions. Management believes Adjusted EBITDA is a useful measure that facilitates period-to-period operating comparisons.

	For the three months ended June 30		For the nine months ended June 30	
	2023	2022	2023	2022
Net profit/(loss) for the period	$ (197,190)	$ (117,249)	$ (426,225)	$ (472,686)
Deferred tax expense	-	1	-	1
Depreciation of property plant and equipment	54,578	48,417	154,879	145,251
Amortization of patents and intangibles	2,175	3,107	6,524	9,320
Stock based compensation	113,863	-	113,863	-
Unrealized foreign exchange gain (loss)	8,046	(7,606)	23,964	(5,796)
Interest expense	19,329	20,256	60,216	62,788
Adjusted EBITDA	$ 801	$ (53,074)	$ (66,779)	$ (261,122)

Tariff Adjusted EBITDA

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

	For the three months ended June 30		For the nine months ended June 30	
For the period ended March 31	2023	2022	2023	2022
Adjusted EBITDA	$ 801	$ (53,074)	$ (66,779)	$ (261,122)
Tariff and tariff related costs	$ 59,951	58,189	84,830	85,694
Tariff Adjusted EBITDA	$ 60,752	$ 5,114	$ 18,051	$ (175,428)

Selected Quarterly Results

For the Quarters Ended ($'000's)								
	Fiscal 2023			Fiscal 2022				Fiscal 2021
	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021
Revenues	1,012.41	713.81	462.83	542.57	619.16	810.35	465.78	369.20
Gross Profit	509.70	323.10	222.77	320.14	294.67	355.93	248.73	156.20
Freight Adjustment	$ -	$ -	$ -	$ -	$ -	29.10	(29.10)	$ -
Adjusted Gross Margin	509.70	323.10	222.77	320.14	294.67	385.03	219.63	156.20
Gross Profit %	50.3%	45.3%	48.1%	59.0%	47.6%	47.5%	47.2%	42.3%
Expenses	573.70	297.10	436.92	451.84	391.66	437.61	479.96	423.00
Interest & Other Expenses	133.19	20.08	20.81	20.85	20.26	20.94	21.59	17.00
Income (loss)	(197.19)	5.92	(234.96)	(152.55)	(117.25)	(73.52)	(281.92)	(283.70)
Earnings (loss) per share (basic)	$ -	$ -	$ -	$ -	$ -	$ -	$ (0.01)	$ (0.02)
Earnings (loss) per share (diluted)	$ -	$ -	$ -	$ -	$ -	$ -	$ (0.01)	$ (0.02)

Liquidity and 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.

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

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

Disclosure of Outstanding Share Information

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

Description	Number
Common Shares	
Outstanding at September 30, 2022	56,041,746
Issued	-
Outstanding at June 30, 2023	56,041,746
Stock Options	
Outstanding at September 30, 2022	2,525,000
Granted	7,250,000
Expired	-
Forfeited	-
Outstanding at June 30, 2023	9,775,000

Contingencies and Commitments

As at August 29, 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 June 30, 2023. In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

Related Party Transactions

Related party transactions and balances are as follows:

	June 30, 2023	June 30, 2022
Type of payment		
Compensation and benefits	**$ 239,246**	$ 184,312
	$ 239,246	$ 184,312
Amounts due to related parties at quarter end	**$ 5,778**	$ 1,928

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

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

Issuance Date	Expiry Date	Exercise Price	30-Jun 2023
		$	Number Outstanding
February 2020	February 2025	$0.14	2,525,000
May 2023	May 2028	$0.05	7,250,000
			9,775,000

As discussed previously stock-based compensation expense of $113,863 (2022 - $nil) is included in sales and marketing expenses on the statement of income (loss) and comprehensive income (loss). On May 3, 2023, the Company granted 7,250,000 options to directors, officers, employees and consultants of the Company, exercisable at $0.05 per common share through May 2, 2028. 3,625,000 of these vested immediately, with the balance vesting on May 2, 2023.

Management's Responsibility for Financial Information

The unaudited condensed interim financial statements ("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 two 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.