

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") of financial condition and results of operations is provided to enable readers to assess the consolidated results of operations, liquidity and capital resources of Questor Technology Inc. ("Questor" or the "Company") as at and for the year ended December 31, 2015 compared to the year ended December 31, 2014.

This MD&A, dated April 27, 2015, should be read in conjunction with the accompanying audited consolidated financial statements and notes thereto of Questor as at and for the year ended December 31, 2015 which are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The audited consolidated financial statements for the year ended December 31, 2015 (including comparatives) and this MD&A have been approved and authorized for issue by Questor's Board of Directors and Audit Committee.

Additional information relating to Questor can be found on the Company's website at www.questortech.com. The continuous disclosure materials of Questor, including its annual MD&A and audited consolidated financial statements, Management Information Circular and Proxy Statement, material change reports and news releases are also available through the Company's website or directly through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

QUESTORS'S BUSINESS

Questor is a public, international environmental Cleantech company founded in late 1994 and headquartered in Calgary, Alberta, with field offices located in; Grande Prairie, Alberta; Brighton, Colorado; and Brooksville, Florida. The company is active in Canada, the United States, Europe and Asia and is focused on clean air technologies that safely and cost effectively improves air quality, support energy efficiency and greenhouse gas emission reductions.

Questor designs, manufactures and services high efficiency waste gas incinerator systems. The Company also provides combustion and burner-related services; as well as, power generation systems and water treatment solutions. Our proprietary incinerator technology is utilized worldwide in the effective management of Methane, Hydrogen Sulphide gas, Volatile Organic Hydrocarbons, Hazardous Air Pollutants and BTEX gases ensuring sustainable development, community acceptance and regulatory compliance. Questor and its subsidiary, ClearPower Systems are providing solutions for landfill biogas, syngas, waste engine exhaust, geothermal and solar, cement plant waste heat in addition to a wide variety of oil and gas projects in Canada, throughout the United States, the Caribbean, Western Europe, Russia, Thailand, Indonesia and China.

With a focus on solid engineering design, our products enable our clients to operate cost effectively in an environmentally responsible and sustainable manner.

Questor trades on the TSX Venture Exchange under the symbol 'QST'.

FINANCIAL OVERVIEW - YEAR ENDED DECEMBER 31, 2015 VERSUS 2014

CONSOLIDATED HIGHLIGHTS

Years Ended December 31,	2015	2014	Change
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	8,112,913	12,414,893	(35)
Gross Profit ⁽¹⁾	3,352,444	6,325,943	(47)
Adjusted EBITDA ⁽¹⁾	877,893	4,713,995	(82)
(Loss) profit for the year	(18,148)	2,914,867	(101)
Per share — basic	0.00	0.11	(100)
Per share — diluted	0.00	0.11	(100)
Working capital, end of year	8,854,920	9,432,442	(6)
Total assets, end of year	16,280,884	16,427,044	(1)
Total equity, end of year	14,869,245	14,563,688	2

(1) Refer to "Non-GAAP Measures" on pages 11 and 12 for further information.

2015 OVERVIEW

In 2015, the Company:

- generated revenue of \$8.1 million versus \$12.4 million in 2014, the decline being due primarily to lower sales activity in the North American Oil and Gas sector due to market capital constraints, as a result of depressed oil and gas prices through 2015.
- revenue generated from rentals and service grew by 19 percent;
- reported adjusted EBITDA of \$0.9 million compared to \$4.8 million in 2014, a decrease of 82 percent, mainly as a result of:
 - reduced sales in Canada and the United States;
 - increased sales & marketing efforts;
 - lower utilization of resources and facilities in the company's fabrication division impacted margins by \$0.6M;
 - invested in developing the waste heat to power infrastructure, incurring \$0.3 million of incremental expenses in the ClearPower division, increasing sale & marketing efforts and expanding fabrication facilities to advance the commercialization of the Waste Heat to Power technology;
 - the company wrote off \$0.7 million of receivables as result of two customers filing chapter 11 bankruptcy in the United States;
 - streamlined internal procedures and hired an accounts receivables specialist to manage receivable's, especially, in this current climate;
- incurred capital expenditures of \$0.9 million, which were focused on the expansion of the rental fleet in the United States, specifically in the state of Colorado;
- invested \$1.2M in the development of the Waste Heat to Power technology, investment recorded to intangible assets;
- received \$0.6M of finding from Sustainable Development Technology Canada for the development of the Waste Heat to Power technology, funding recorded to intangible assets.

CONSOLIDATED

Years Ended December 31,	2015	2014	Change
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	8,112,913	12,414,893	(35)
Cost of Sales	4,760,469	6,088,950	(22)
Gross Profit ⁽¹⁾	3,352,444	6,325,943	(47)
Gross Profit (%)	41	51	(19)

(1) Refer to "Non-GAAP Measures" on pages 11 and 12 for further information.

REVENUE

Revenue during 2015 was \$8.1 million versus \$12.4 million in 2014, for a decrease of \$4.3 million. Incinerator sales were \$4.0 million versus \$8.9 million in the same period of 2014. Incinerator rentals were \$3.1 million versus \$2.8 million in the same period of 2014. Incinerator service revenue was \$1.1 million versus \$0.8 million in the same period of 2014.

The sale of the Company's incinerators decreased \$4.9 million. The decline in the sale of the Company's incinerators resulted from significantly lower activity and constraints on capital spending in the North American Oil and Gas sector due to depressed oil and gas prices.

The incinerator sales decrease was partially offset by increased incinerator rental revenue of \$0.3 million. The Company expects demand for incinerator rentals will remain through 2016 strong due to market capital constraints.

The incinerator sales decrease was also partially offset by increased service revenue of \$0.3 million. Service revenue increased as technicians were deployed in the field to support the increase in rental service work and rental revenue.

GROSS PROFIT

Gross Profit was \$3.4 million compared to \$6.3 million in 2014. The \$2.9 million decrease in gross profit was primarily the result of lower revenue. The lower revenue resulted in decreasing gross profit by \$2.2 million.

Gross Profit was also decreased by \$0.7 million due to lower utilization of resources and facilities at the company's two fabrication divisions. The decrease to gross profit was \$0.6 million for the incinerator fabrication division and \$0.1 million for Waste Heat to Power fabrication division.

CORPORATE

Years Ended December 31, (stated in CDN\$)	2015 (\$)	2014 (\$)	Change (%)
(unaudited)			
Gross Profit ⁽¹⁾	3,352,444	6,325,943	(47)
<i>less corporate costs :</i>			
Administration expenses	2,835,155	2,388,550	19
Depreciation of property and equipment	44,314	44,847	(1)
Amortization of intangible assets	3,620	3,447	5
Net foreign exchange (gains)	(323,591)	(164,634)	97
Other expense (income)	652,274	(67,603)	(1065)
Profit before tax	140,672	4,121,336	(97)
Income Tax	158,820	1,206,469	97
(Loss) profit for the year	(18,148)	2,914,867	(101)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 11 and 12 for further information.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by \$0.4 million representing a 19 percent increase in corporate expenses in 2015 from 2014. The Company added sales and marketing resources to the sales team based in Calgary and the ClearPower division in order to commercialize the waste heat to power technology and increase incinerator sales. We are investing in human capacity positioning the company to take advantage of a growing demand for our technology solutions. The majority of increase to general and administrative expenses is due to the Company's incurring \$0.3 million of incremental expenses in the ClearPower division. The Company also incurred \$0.1 million of incremental research expenses relating to various small research projects.

DEPRECIATION

For the year ended December 31, 2015, administrative depreciation expense decreased by 1 percent. There was very little capital spending relating to administrative assets and therefore depreciation was consistent to the prior year.

AMORTIZATION OF INTANGIBLE ASSETS

For the year ended December 31, 2015, amortization expense was consistent with 2014. For the year ended December 31, 2015, the Company incurred \$1.2M versus \$1.1M in 2014 of development expenses relating to the Waste Heat to Power technology. The development expenses have been recorded to intangible assets. The Company has not amortized any of the Waste Heat to Power development expenses as the technology has not reach the commercialization state. The Company received \$0.6M of funding from Sustainable Development Technology Canada (SDTC) for the development of the Waste Heat to Power technology relating the development expenditures already incurred. The funding was recorded to intangible assets, effectively reducing the development expenses relating to the Waste Heat to Power technology.

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange gain of \$0.3 million during 2015 versus a gain of \$0.1 million in 2014. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars. The Company's 2015 foreign exchange gain was largely attributable to the translation of U.S. dollar-denominated receivables as the Canadian dollar depreciated against the U.S. dollar during throughout the year.

OTHER EXPENSE (INCOME)

During 2015, the Company wrote off \$0.7 million of receivables as result of two customers filing chapter11 bankruptcy in the United States. We have since streamlined internal procedures and hired an accounts receivables specialist to manage receivables.

INCOME TAX

The Company recorded an income tax expense of \$0.2 million in 2015 compared to an expense of \$1.2 million in 2014. The decreased tax expense is primarily result of reduced earnings as discussed above. The effective tax rate is higher than expected primarily due to transfer pricing between Canada and the US operations. Intercompany transactions are eliminated on consolidation, however the incremental foreign tax is not eliminated.

LIQUIDITY AND CAPITAL RESOURCES

	Years Ended December 31,	
	2015	2014
<i>(stated in CDN\$)</i>	(\$)	(\$)
<i>(unaudited)</i>		
Cash (used in) provided by :		
Operating activities	(49,880)	366,410
Financing activities	56,874	181,975
Investing activities	(701,033)	(2,307,948)
Decrease in cash and cash equivalents	(694,039)	(1,759,563)

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the year ended December 31, 2015 was (\$0.05) million versus \$0.37 million in 2014. The decrease was primarily due to lower gross profits, offset by movements in working capital during the year. During the year ended December 31, 2015, the company paid \$0.7 million in taxes relating to 2014 which had a significant impact on cash used in operating activities. At December 31, 2015, Questor's working capital was approximately \$8.9 million, a \$0.5 million decrease from December 31, 2014.

FINANCING ACTIVITIES

Net cash provided by financing activities for the year ended December 31, 2015 was \$0.06 million compared to \$0.2 million in 2014. During 2015 and 2014, the financing activities consisted of the issuance of common shares on employee exercised stock options. Proceeds from the issue of common shares under the employee share option plan were \$0.06 million compared to \$0.2 million in 2014.

The Company has financed its operating and capital requirements primarily through working capital, net cash generated from operating activities and proceeds from exercise of stock options.

The Company made no draws on its revolving demand operating loan during the year ended December 31, 2015. The Company has available a revolving demand operating loan to a maximum of \$560,000. The revolving demand operating loan bears interest at bank prime plus 1 percent per annum. The Company has provided a general security agreement and an assignment of insurance proceeds as security. Up to \$100,000 of this loan is available to secure the issue of letters of credit and/or letters of guarantee for suppliers. At December 31, 2015, the Company had no outstanding letters of credit on this facility a Letter of Guarantee. At December 31, 2014 the Company had outstanding on this facility a Letter of Guarantee in an amount of \$40,000 as a performance bid bond to an entity in a foreign country relating to the potential sale of two incinerators. The Letter of credit expired March 1, 2015.

The availability of this facility is also subject to the Company meeting certain financial covenants. As shown in the table below, at December 31, 2015, the Company was in compliance with the financial covenants associated with its credit facilities.

	Covenant	Actual
As at December 31,	2015	2015
Working capital ratio not to fall below	1.25x	6.9x
Debt service ratio must be greater than 1.25	4.50x	no debt
Debt to tangible net worth not to fall below	2.5x	no debt

INVESTING ACTIVITIES

Questor's net cash used for investing activities was \$0.7 million in 2015 versus \$2.3 million in 2014. The Company invested \$0.5 million in waste heat to power technology compared to \$2.1 million in 2014.

In light of the current environment the Company restricted its 2016 capital budget to approximately \$1 million. Questor will increase capital spending throughout 2016 if additional rental equipment is required.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The Company's 2015 foreign exchange gain was attributable to the translation of U.S. dollar cash held as the Canadian dollar depreciated against the U.S. dollar during the year.

CAPITAL RESOURCES

The Company believes that its cash deposits and net cash generated from operating activities will provide sufficient capital resources and liquidity to fund existing operations and anticipated capital requirements in 2016.

At December 31, 2015, the Company had cash of \$5,127,371 as compared to \$5,640,570 at December 31, 2014. The foreign currency composition of the cash balances is described in note 5 to the audited annual consolidated financial statements as at and for the year ended December 31, 2015.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. Each option entitles the option holder to purchase one share. The number of options reserved for issuance under the stock option plan is to a maximum of 4,708,474 common shares. As at April 27, 2016, there were 25,964,870 common shares issued and outstanding and 1,050,500 options issued and outstanding to purchase common shares.

Questor Technology Inc.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
<i>(stated in '000's CDN\$ except per share amounts)</i>	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<i>(unaudited)</i>								
Financial								
Revenue	2,328	1,683	1,734	2,369	1,570	3,127	4,503	3,215
Gross Profit ⁽¹⁾	999	505	649	1200	720	1,619	2,545	1,442
Adjusted EBITDA ⁽¹⁾	(483)	109	341	910	263	1,321	1,967	1,154
(Loss) profit for the year	(506)	(90)	86	492	(149)	867	1,394	802
Per share – basic	(0.02)	(0.00)	0.00	0.02	0.00	0.03	0.06	0.03
Per share – diluted	(0.02)	(0.00)	0.00	0.02	0.00	0.03	0.05	0.03

(1) Refer to "Non-GAAP Measures" on pages 11 and 12 for further information.

FINANCIAL OVERVIEW - THREE MONTHS ENDED DECEMBER 31, 2015 VERSUS 2014

CONSOLIDATED HIGHLIGHTS

Three Months Ended December 31,	2015	2014	Change
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	2,327,658	1,569,591	48
Gross Profit ⁽¹⁾	999,300	719,386	39
Adjusted EBITDA ⁽¹⁾	(482,532)	263,598	(283)
Loss for the period attributable to the shareholders of Questor	(505,795)	(149,062)	(239)
Per share — basic	(0.02)	0.00	0
Per share — diluted	(0.02)	0.00	0

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 11 and 12 for further information.

OVERVIEW

In the fourth quarter of 2015, the Company:

- generated revenue of \$2.3 million versus \$1.6 million in 2014, the increase primarily due to an increase in units sold;
- gross profit was higher due to the increased incinerator sales;
- gross profit margin was 43% versus 46% million in 2014, due primarily to a higher mix of incinerator sales compared to a higher mix of rentals in 2014;
- reported adjusted EBITDA of (\$0.5) million compared to \$0.3 million in 2014, a decrease of 277 percent, mainly as a result of:
 - during the fourth quarter of 2015 the company wrote off \$0.7 million of receivables as result of two customers filing chapter 11 bankruptcy in the United States;
 - during the fourth quarter of 2015, the Company's incurred \$0.3 million of incremental expenses in the ClearPower division, increasing sales & marketing efforts and expanding fabrication facilities advancing the commercialization of the Waste Heat to Power technology;
- reported loss of (\$0.5) million compared to (\$0.1) million in 2014, a decrease of 239 percent, mainly as a result of:
 - the factors discussed above, and;
 - the fourth quarter of 2015 and 2014 included various tax related adjustments.

CONSOLIDATED

Three Months Ended December 31,	2015	2014	Change
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	2,327,658	1,569,591	48
Cost of sales	1,328,358	850,205	56
Gross profit ⁽¹⁾	999,300	719,386	39
Cost of sales (%)	57	54	5
Gross profit (%)	43	46	(6)

(1) Refer to "Non-GAAP Measures" on pages 11 and 12 for further information.

REVENUE

Revenue from Questor's Canadian operations during the fourth quarter of 2015 was \$2.3 million versus \$1.6 million in the same period of 2014. The 48 percent increase was primarily due primarily to the timing of the incinerator build schedule and deliveries.

Incinerators sales were \$1.2 million versus \$0.3 million in the same period of 2014. As mentioned above, the increase was primarily due primarily to the timing of the incinerator build schedule and deliveries. Revenue is recognized when the incinerator is delivered to the customer. Delivery timing is a function of the build schedule and customer readiness which can result in variances from quarter to quarter.

Incinerators rentals were \$0.9 million versus \$1.1 million in the same period of 2014. Incinerator rentals were relatively consistent during the fourth quarter of 2015 versus the same period of 2014.

Incinerators service revenue was \$0.2 million versus \$0.2 million in the same period of 2014. Incinerator service revenue was consistent during the fourth quarter of 2015 versus the same period of 2014.

COST OF SALES

Cost of sales during the fourth quarter of 2015 was \$1.3 million compared to \$0.9 million in the same period of 2014. The increase is due to the increased sales of incinerators. Cost of sales increased as a percentage of revenue due to the sales mix. Incinerators sales during the fourth quarter of 2015 were 52% of total revenue for the period compared to 18% of total revenue in the same period of 2014. The cost of sales for Incinerators sales are higher than cost of sales for rentals.

GROSS PROFIT

Gross profit during the fourth quarter of 2015 was \$1.0 million compared to \$0.7 million in the same period of 2014. This was consistent with management's expectations when giving consideration to the sales mix.

CORPORATE

Three Months Ended December 31, <i>(stated in CDN\$)</i>	2015 <i>(\$)</i>	2014 <i>(\$)</i>	Change <i>(%)</i>
<i>(unaudited)</i>			
Gross profit ⁽¹⁾	999,300	719,386	39
<i>less corporate costs:</i>			
Administration expenses	1,003,066	666,252	51
Depreciation of property and equipment	17,961	4,857	270
Amortization of intangible assets	905	905	0
Net foreign exchange (gains)	(102,549)	203,600	(150)
Other expense (income)	747,545	(30,671)	(2537)
Loss before tax	(667,628)	(125,557)	432
Income Tax	(161,833)	23,505	(789)
Loss for the period	(505,795)	(149,062)	239

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 11 and 12 for further information.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by \$0.3 million representing a 19 percent increase in corporate expenses in 2015 from 2014. The increase is primarily due to the Company's incurring \$0.2 million of incremental expenses in the ClearPower division related to increasing sales & marketing resources, office expenses and corporate compliance. The Company also incurred \$0.1 million of incremental research expenses relating to various small research projects.

DEPRECIATION

For the three months ended December 31, 2015, the depreciation expense variance compared to 2014 was due to an accounting adjustment in the prior year. As noted in the annual commentary, for the year ended December 31, 2015, administrative depreciation expense decreased by 1 percent. There was very little capital spending relating to administrative assets and therefore annual depreciation was consistent to the prior year.

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange gain of \$0.1 million during the fourth quarter of 2015 versus a loss of \$0.2 million in the comparative three-month period of 2014. Foreign exchange gains and losses arise from both the settlement and translation of net monetary assets or liabilities that were held in foreign currencies by the company. The Company's fourth-quarter 2015 foreign exchange gain resulted as the U.S. dollar appreciated against the Canadian dollar on the settlement and translation of U.S. dollar-denominated receivables held by the Company and its subsidiaries, there were minimal U.S. dollar-denominated liabilities to offset the gains.

OTHER EXPENSE (INCOME)

During the fourth quarter of 2015, the Company wrote off \$0.7 million of receivables as result of two customers filing chapter 11 bankruptcy in the United States compared to \$0.0 of receivable write-offs during the same period in 2014.

INCOME TAXES

The Company recorded an income tax recovery of \$0.17 million during the fourth quarter of 2015 compared to an expense of \$0.02 million in the comparable period of 2014. The fourth quarter of 2015 results included a write-off of \$0.7 million of receivables resulting in losses before tax for the fourth quarter of 2015. During the fourth quarter of 2015, the company recorded a (\$0.1) million loss, however recorded a tax expense for the period. This was due to adjusting the tax provision for non-deductible expenses.

OUTLOOK

Low commodity prices continue to cause a curtailment in activity throughout much of the oil and gas sector. Producers are seeking opportunities to reduce costs, defer capital spending and focus on more profitable areas. The uncertainty and concern over low oil prices in the market has translated into significant reductions in planned capital expenditures and this is evident with a reduction in sales revenue from 2014 to 2015. The trend of significant reductions in planned capital expenditures is expected to continue into 2016.

Questor continues to focus on renting equipment as it is emerging as a more capital efficient option than purchasing. Rental revenue increased 12% for the year ended December 31, 2015 when compared to the same period in 2014. There are strong indications that this increased trend toward rental demand with a slowdown in sales will continue into 2016. This confirms to management that it is vital to continue to market the rental fleet. Questor is still focusing on growing its revenue in Colorado and certain other states where producers are looking for different technologies to manage their waste gases. Energy efficiency is important in North Dakota and Questor's heat to power option, in addition to its incineration, will be marketed aggressively. The solutions that Questor provides enable its customers to reduce costs, comply with regulations and improve the profitability of their operations and these qualities are particularly important during downturns.

Strengthened regulations in the U.S. have caused an increased demand for Questor's technology. On April 17, 2013, the United States Environmental Protection Agency (EPA) issued regulations to reduce harmful air pollution arising out of crude oil and natural gas industry activities with a particular focus on the efficient destruction of volatile organic compounds (VOC's) and Hazardous air pollutants (HAP's). A key marketing strategy will be to highlight the value of Questor's unique ability to address air quality issues associated with tank and gas dehydration emissions and meet the new standards. The superior performance of Questor's products and demonstrated operational success has led certain customers to specify the Company's equipment as a best practice. Questor was advised by the EPA on October 21st that our units had been approved as tested devices. The successful completion of the EPA's "Quad O" testing for combustion devices positions Questor as a compliant technology in the US. Recent regulations in the U.S. have also focused on methane emission reductions especially as they have a heightened impact on climate change. The Global Warming Potential (GWP) of methane is 25 times that of CO₂ and therefore venting or inefficient combustion increases the greenhouse gases emitted. Questor will also closely monitor where regulations are enforced and ensure that our sales efforts are matched appropriately.

While continuing to meet demand in Canada a key area of focus into 2016, The Company expects to continue to expand the Company's presence in the United States. Questor has focused on sales and marketing team as well as service technicians for select areas where they will focus on increasing incinerator sales, rentals and servicing in the U.S. and Canada.

On November 22 Alberta's government released the new Climate Change Policy. This includes a number of areas to which Questor's high efficiency combustion and heat to power technologies provide sound solutions for. From methane emissions reduction to replacing coal powered electricity with electrical power generated from waste heat to overall energy efficiency our suite of technological solutions is ideal for this policy's targets. Further, the provision for small emitters under 100,000 tonnes per year of CO₂e to be considered a large emitter at >100,000 tonnes per year of CO₂e by aggregating their smaller facilities means that meaningful impact on emissions reductions can be made at these many smaller facilities where change will contribute to achieved goals.

Questor remains committed to technology diversification and water vaporization falls within this area. Questor looks forward to announcing a firm date for pilot demonstration in the very near future. This technology will be aggressively marketed to those regions where water handling is prohibitive for higher water cut wells. Western Canada is known to contain thousands of wells may be the first candidate locations for this technology. Certain areas in the U.S. also experience high water handling costs and we will be offering this in those areas as well.

Questor acquired ClearPower Systems Inc. ("ClearPower") in early 2014, and has invested \$2.2 million to further develop the technology that transforms waste heat from any source into power. Testing of the revised prototype unit was completed this during 2015 with results that exceeded expectations. The unit in testing generated in excess of 65kW of power. Questor has been aggressively marketing this technology and, based on the early interest, the first sale is anticipated to occur within 2016. We look forward to announcing this exciting opportunity. Further to this we now view Alberta as an even more probable region for installing our waste heat to power solutions, given the recent Climate Policy that will create appropriate incentives.

There are a good number of additional opportunities that we are pursuing in the US and Questor is also seeking key collaborations to ensure that the power output offering is appropriately expanded to also include practical packaging solutions for larger waste heat opportunities. During this period, we have undertaken cost rationalization measures so that we will continue to be competitive and profitable. We have had considerable success in the overall fabrication as well as balance of plant expenses. This is due in large part to the wealth of experience that we have within CPS, Questor's commitment to delivering excellence and the funding allowance made available for this work under SDTC.

Since Questor's inception, the Company has experienced several business cycles and management understands how to adapt its focus through a downturn. During this cycle the weakened Canadian dollar makes it a clear choice to focus on generating revenue in the US. We are poised to provide our technology in Colorado for 2016 and beyond by establishing a presence in a strategic area within the know region of activity. We will also be providing technician support from within Colorado to better service our clients and to ensure that we continue to be an excellent technical and business choice. Questor will also be generating marketing and sales from within the state of Colorado with a local representative. Questor is also planning to replicate this strategy in Texas and possibly other states and regions where this approach is deemed advantageous. Recently, at the request and invitation of the Environment Agency in the United Kingdom Questor presented its suite of technologies to industry and government. Questor continues to explore areas where industry and government are seeking changes to traditional practices as a means to grow its reputation and business profile.

SUMMARY

Although Questor's long-term strategy has not changed, in the short-to-medium term the Company remains focused on one thing: managing through what is shaping up to be the worst industry downturn in decades. Key focal points include managing the Company's cost structure, employing further process efficiencies, retaining key personnel, maintaining strong relationships with its existing customers as well as expanding its customer base, all while ensuring the Company has sufficient liquidity to navigate the cyclical downturn. The Company's United States operations continue to generate strong cash contributions and provide an avenue for growth. Questor believes that the clean technology industry will remain an integral component of resource development over the long term and that the Company will be well-positioned given its focus on top-tier service, quality, logistics management and technology.

NON-GAAP MEASURES

Certain supplementary measures presented in this MD&A do not have any standardized meaning under IFRS and, because IFRS have been incorporated as Canadian generally accepted accounting principles (GAAP), these supplementary measures are also non-GAAP measures. These measures have been described and presented in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and ability to generate funds to finance its operations. These measures may not be comparable to similar measures presented by other entities, and are explained below.

Gross profit is defined as net income (loss) before administrative expenses, administrative depreciation, amortization, foreign exchange gains or losses, other (income) expenses and income taxes. Management believes that gross profit is a useful supplemental measure as it provides an indication of the financial results generated by Questor's operating segment. Gross profit for the period was calculated as follows:

	Three Months Ended December 31,		Years Ended December 31,	
	2015	2014	2015	2014
	(\$)	(\$)	(\$)	(\$)
<i>(stated in CDN\$)</i>				
<i>(unaudited)</i>				
(Loss) profit for the period	(505,795)	(149,062)	(18,148)	2,914,867
Add back (deduct):				
Income taxes (recovery)	(161,833)	23,505	158,820	1,206,469
Other expense (income)	747,545	(30,671)	652,274	(67,603)
Net foreign exchange (gains) losses	(102,549)	203,600	(323,591)	(164,634)
Amortization of intangible assets	905	905	3,620	3,447
Depreciation of property and equipment	17,961	4,857	44,314	44,847
Administrative Expenses	1,003,066	666,252	2,835,155	2,388,550
Gross Profit	999,300	719,386	3,352,444	6,325,943

Adjusted EBITDA is defined in the Company's credit facilities for covenant purposes as net income or loss for the period less interest, taxes, depreciation and amortization, and non-cash stock-based compensation. Adjusted EBITDA for the period was calculated as follows:

	Three Months Ended December 31,		Years Ended December 31,	
	2015	2014	2015	2014
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>				
Loss (profit) for the period	(505,795)	(149,062)	(18,148)	2,914,867
Add back (deduct):				
Income taxes (recovery)	(161,834)	23,505	158,820	1,206,469
Interest Income	(7,653)	(9,171)	(37,589)	(42,023)
Depreciation of property and equipment	123,281	108,679	498,841	342,493
Amortization of intangible assets	905	905	3,620	3,447
Stock Based Compensation	68,564	288,742	272,349	288,742
Adjusted EBITDA	(482,532)	263,598	877,893	4,713,995

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As at December 31, 2015	Total	Payment Due by Period			
		< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>					
Facility leases	1,106,000	449,099	656,901	-	-
Total contractual obligations	1,106,000	449,099	656,901	-	-

Questor has various contractual lease commitments related to three facilities located in Alberta and Florida.

LITIGATION

From time to time, the Company is subject to costs and other effects of legal proceedings, settlements, investigations, claims and actions. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses potential liabilities by analyzing the claims using available information. The Company develops its views on estimated losses in consultation with outside counsel handling our defense in these matters. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on our results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Notwithstanding the uncertainty as to the final outcome, based on the information currently available to it, the Company does not currently believe these matters in aggregate will have a material adverse effect on its consolidated financial position. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision was recorded in the consolidated financial statements.

TAX

The tax regulations and legislation in the various jurisdictions that the Company operates in are continually changing, as result, there are some tax matters under review, and management believes that it has adequately provided for taxes based on the Company's interpretation of the relevant tax legislation and regulations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2015 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Questor's significant accounting policies are described in note 3 to the annual consolidated financial statements.

The preparation of the consolidated financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and, consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is gained or the environment in which the Company operates changes. The accounting policies and practices requiring estimates that have a significant impact on the Company's financial results include the allowance for depreciation, the fair value of financial instruments, the carrying value of goodwill, impairment of property, plant and equipment, income taxes, stock-based compensation expenses, functional currency and cash-generating units. Judgment is also used in the determination of the functional currency of each subsidiary and in the determination of cash-generating units.

DEPRECIATION

Depreciation of the Company's property, plant and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby affecting the value of the Company's property, plant and equipment.

FINANCIAL INSTRUMENTS

Financial instruments included in the Company's consolidated balance sheets are cash, accounts receivable, deposits, current tax assets, accounts payable, accrued liabilities, customer deposits and current tax liabilities.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, approximate their carrying amounts due to the short nature of those instruments.

CREDIT RISK

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. At April 27, 2015, the Company has collected 99 percent of the accounts receivable outstanding at December 31, 2015. As result the provision for doubtful accounts receivable at December 31, 2015 was \$0 (December 31, 2014 - \$15,000).

During the fourth quarter of 2015, the Company wrote off \$0.7 million of receivables as result of two customers filing chapter 11 bankruptcy in the United States compared to \$nil of receivable write-offs during the same period in 2014.

The current credit risk of the oil and natural gas industry has increased significantly over the last 12 months. The Company has increased focus on credit and is mitigating credit risk through strict credit policies and practices, including the use of credit limits and approvals, and by monitoring its customers' financial condition. Payment terms with customers vary by country and contract. Standard payment terms, however, are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at December 31, 2015 and 2014, excluding the provision for doubtful accounts, are as follows:

As at December 31, <i>(stated in CDN\$)</i> <i>(unaudited)</i>	2015 <i>(\$)</i>	2014 <i>(\$)</i>
Current (less than 30 days)	1,527,470	675,150
31 - 60 days past due	218,160	369,102
61 - 90 days past due	263,132	209,590
Past due greater than 90 days	139,409	1,785,390
Net allowance for doubtful accounts and accrued receivables	-	5,767
Total	2,148,171	3,044,999

LIQUIDITY RISK

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities, and new share equity. The Company monitors its liquidity to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending maintain liquidity.

At December 31, 2015 and 2014, the expected timing of cash outflows relating to financial liabilities is outlined in the table below:

As at December 31	Maturity	2015	2014
Trade payables, accrued liabilities and provisions	Within 1 year	\$893,398	\$1,162,885
Current portion of lease inducement	Within 1 year	52,002	52,002
Current tax liabilities	Within 1 year	(578,381)	417,647
		\$367,019	\$1,632,534

The Company's cash balances at December 31, of which those held in foreign currencies are reported at their Canadian dollar equivalent, are as follows:

As at December 31	2015	2014
United States dollars	\$1,610,529	\$790,491
Euros	11,814	11,521
Other non-Canadian currencies	95	65
	1,622,438	802,077
Canadian dollars	3,504,933	4,838,493
	\$5,127,371	\$5,640,570

Liquidity risk is the risk that Questor will not be able to meet its financial obligations as they come due. The Company generally relies on cash deposits, funds generated from operations, deposits received from customers in respect of a sale and credit facilities to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to finance the development of new clean air technologies or acquisitions. The Company believes it has sufficient working capital to meet future obligations as they come due.

FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies are primarily the U.S. dollar. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and property, plant and equipment from vendors in the United States. This risk is mitigated, however, by the Company's U.S. operations and accompanying revenue streams.

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the Canadian dollar and the foreign currencies would impact profit before tax by approximately \$105,262 (2014 - \$75,680).

To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates. However, the Company has a facility available to purchase foreign forward exchange contracts if required.

GOODWILL

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets. At December 31, 2015, the Company completed an assessment for goodwill impairment and determined that the recoverable amounts of its operating segments were greater than their carrying amounts, as result no goodwill impairment is required.

IMPAIRMENT

Assessment of impairment is based on management's judgment of whether there are internal and external factors that would indicate that an asset or CGU is impaired.

At the end of each reporting period, the Company reviews the carrying amounts of its impairment of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. At December 31, 2015, the Company completed an assessment for impairment of property, plant and equipment impairment and determined that the recoverable amounts of its operating segments were greater than their carrying amounts, as result no goodwill impairment is required.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Estimates of the Company's future taxable income are considered in assessing the utilization of available tax losses. The Company's business is complex and the calculation of income taxes involves many complex factors as well as the Company's interpretation of relevant tax legislation and regulations.

STOCKBASED COMPENSATION

The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions, related to the risk-free interest rate, average expected option life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends.

FUNCTIONAL CURRENCY

Management applies judgment in determining the functional currency of its foreign subsidiaries. Judgment is made with regard to the currency that influences and determines sales prices, labor, material and other costs as well as financing and receipts from operating income.

CASHGENERATING UNITS

The determination of CGUs is based on management's judgment regarding shared equipment, mobility of equipment, geographical proximity and materiality.

RELATED-PARTY TRANSACTIONS

The Company defines key management personnel as being the directors, Chief Executive Officer, Chief financial Officer, and Chief Operating Officer and other key employees as described in note 25. In addition to their salaries and directors' fees, the Company also provides non-cash benefits including participation in the Company's share option plan, as described in notes 12 and 16.

The Company has entered into an employment agreement with an executive officer of the Company. In the event of termination without cause or resignation or change of control, the executive officer is entitled to any unpaid annual base salary and all accrued but unpaid bonuses and vacation pay through to the date of termination, a severance payment equal to 18 months of their annual base salary and accelerated vesting of any share options not then exercisable but which would have become exercisable within six months of the date of termination. In the event of a change of control, all share options that are not then exercisable shall vest immediately and become exercisable.

The Company had no related party transactions other than those noted above. There were no amounts owing to or from related parties at December 31, 2015 and 2014 with respect to the preceding key management personnel compensation.

SUBSEQUENT EVENTS

Foreign Exchange Facility

At December 31, 2015, the Company had a demand revolving foreign exchange facility established to a maximum of \$ 630,000USD to purchase foreign forward exchange contracts in order to hedge against currency fluctuations (as discussed in note 12). On January 18th, 2016, this facility was reduced to \$250,000.

Stock Options

On January 20, 2016, the Company issued 200,000 stock options to an officer in accordance with the Company's stock option plan. Options granted under the plan have a term of five years to expiry and one quarter of the options vest on each of the first, second, third and fourth anniversary dates of the grant date on a cumulative basis. Each share option converts into one ordinary share of the Company on exercise. The officer received the option grant at market price. The options were granted with an exercise price of \$0.77 and fair value at grant date of \$0.56.

CHANGES IN ACCOUNTING POLICIES

No new IFRS or interpretations from the International Financial Reporting Interpretations Committee came into effect for the year beginning on or after January 1, 2015 that had a material impact on the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2015 with earlier application permitted. The Company does not expect these standards to have a significant effect on its consolidated financial statements:

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize all leases on the balance sheet. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for companies that also applies IFRS 15 Revenue from Contracts with Customers. The Company is currently evaluating the impact of the standard on its financial statements.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will come into effect for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the standard on its financial statements.

In July 2014, the IASB completed the final elements of IFRS 9 Financial Instruments. The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9, as amended, includes a principle based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially reformed approach to hedge accounting. IFRS 9 will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on its financial statements periods.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of Questor are responsible for establishing and maintaining the Company's disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR).

DC&P are designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO by others, particularly in the period in which the annual filings are being prepared, and that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported within the periods specified in securities legislation, and includes controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings," an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2015. Based on this evaluation, the CEO and CFO have concluded that, subject to the inherent limitations noted below, the Company's DC&P and ICFR are effectively designed and operating as intended.

The Company's management, including the CEO and CFO, does not expect that the Company's DC&P and ICFR will prevent or detect all misstatements or instances of fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues, misstatements or instances of fraud within the Company have been detected.

BUSINESS RISKS

The business of Questor is subject to certain risks and uncertainties. Prior to making any investment decision regarding Questor, investors should carefully consider, among other things, the risk factors set forth below.

VOLATILITY OF INDUSTRY CONDITIONS

The demand, pricing and terms for the Company's services largely depend upon the level of expenditures made by oil and gas companies on exploration, development and production activities in North America. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for the Company's services is high. The converse is also true.

The prices for oil and natural gas are subject to a variety of factors including: the demand for energy; the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels for oil; oil and gas production by non-OPEC countries; the decline rates for current production; political and economic uncertainty and socio-political unrest; cost of exporting, producing and delivering oil and gas; technological advances affecting energy consumption; and weather conditions. Any prolonged reduction in oil and natural gas prices would likely decrease the level of activity and expenditures in oil and gas exploration, development and production activities and, in turn, decrease the demand for the Company's services.

In addition to current and expected future oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors over which the Company has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the expected rates of current production; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability of pipeline and other oil and gas transportation capacity; natural gas storage levels; political, regulatory and economic conditions; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital or debt financing; and currency fluctuations. A material decline in global oil and natural gas prices or North American activity levels as a result of any of the above factors could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

EQUIPMENT LEVELS

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the quantity of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment. Periods of high demand often spur increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand. Such capital overbuild could cause the Company's competitors to lower their pricing and could lead to a decrease in rates in the oilfield services industry generally, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

COMPETITION

Each of the markets in which the Company participates is competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which the Company operates are product and service quality and availability, technical knowledge and experience, reputation for safety and price. The Company may compete with large national and multinational oilfield service companies that have extensive financial and other resources. These companies offer a wide range of services in all geographic regions in which the Company operates. In addition, the Company competes with regional competitors. As a result of competition, the Company may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

ACCESS TO CAPITAL

The Company is required to comply with covenants under its credit facilities. In the event that the Company does not comply with such covenants, the Company's access to capital could be restricted or repayment could be required. Such non-compliance could result from an impairment charge to the Company's capital assets, which is determined based on management's estimates and assumptions when certain internal and external factors indicate the need for the Company to assess its capital assets balance for impairment. If realized, these risks could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing under its credit facilities, the lenders could proceed to foreclose or otherwise realize upon any collateral granted to them to secure the indebtedness.

VOLATILITY IN CREDIT MARKETS

The ability to make scheduled debt repayments, refinance debt obligations and access financing depends on the Company's financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain finance, business and other factors beyond its control. In addition, the Company's ability to refinance debt obligations and access financing is affected by credit ratings assigned to the Company and its debt. Continuing volatility in the credit markets could increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the ability of the Company, or third parties it seeks to do business with, to access those markets.

In addition, access to further financing for the Company or its customers remains uncertain. This condition could have an adverse effect on the industry in which the Company operates and its business, including future operating results. The Company's customers may curtail their drilling and completion programs, which could decrease demand for the Company's services and could increase downward pricing pressures. Further, certain customers could become unable to pay suppliers, including the Company, in the event they are unable to access the capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

CAPITAL INTENSIVE INDUSTRY

The Company's business plan is subject to the availability of additional financing for future costs of operations or expansion that might not be available, or may not be available on favorable terms. If the Company's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on acceptable terms. In addition, if the Company's financial performance results in a breach of a future financial covenant, access to financing could be restricted and/or all or a portion of the Company's debt could become due on demand. Such risks, if realized, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

FLUCTUATIONS IN FOREIGN EXCHANGE RATES

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the results of the Company's foreign operations are directly affected by fluctuations in the exchange rates for United States currency. For example, financial results from the Company's United States operations are denominated in United States dollars, so a decrease in the value of the United States dollar would decrease the Canadian dollar amount of such financial results from United States operations. Other than natural hedges arising from the normal course of business in foreign jurisdictions, the Company does not have any hedging positions.

FOREIGN OPERATIONS

Some of the Company's activity maybe located in countries outside of Canada and the United States, some of which may be considered politically or economically unstable. Activities in such countries may require protracted negotiations with host governments, national oil and gas companies and third parties and are frequently subject to economic and political considerations, such as taxation, nationalization, expropriation, inflation, currency fluctuations, increased regulation and approval requirements, restrictions on the repatriation of income or capital, governmental regulation and the risk of actions by terrorist, criminal or insurgent groups, any of which could adversely affect the economics of exploration or development projects and the demand for the Company's well stimulation services which, in turn, could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Additionally, activity outside of Canada could also expose the Company to trade and economic sanctions or other restrictions imposed by the Canadian government or other governments or organizations, such as the sanctions issued by the Canadian and U.S. governments against Russia. Although management has implemented internal controls, procedures and policies that it believes to be adequate and customary in the industry and the countries where the Company may provide services, federal agencies and authorities may seek to impose a broad range of criminal or civil penalties against the Company or its representatives for violations of securities laws, foreign corrupt practices laws or other federal statutes, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

FEDERAL, STATE AND PROVINCIAL LEGISLATIVE AND REGULATORY INITIATIVES

The operations of the Company's customers are also subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, customers' operations could be disrupted or curtailed by governmental authorities. The cost of compliance with applicable regulations may cause customers to discontinue or limit their operations and may discourage companies from continuing development activities. As a result, demand for the Company's services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Changes in environmental requirements may reduce demand for the Company's services. For example, oil and natural gas exploration and production could become less cost-effective and decline as a result of increasingly stringent environmental requirements (including land use policies responsive to environmental concerns and delays or difficulties in obtaining environmental permits). A decline in exploration and production, in turn, could materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

ENVIRONMENT LAWS AND REGULATIONS

The Company is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating the protection of workers and the environment, including laws and regulations governing occupational safety standards, air emissions, and waste management. The Company incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to the Company's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company uses and generates wastes in its operations. Because the Company provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment

CONCENTRATION OF CUSTOMER BASE

The Company's customer base consists of oil and natural gas exploration and production companies, ranging from large multi-national public companies to small private companies. Notwithstanding the Company's broad customer base, it has ten significant customers that collectively accounted for approximately 70 percent of its revenue for the year ended December 31, 2015 and, of such customers, the largest accounted for approximately 20 percent of the Company's revenue for the year ended December 31, 2015. There can be no assurance that the Company's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

OPERATIONAL RISKS

The Company's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose the Company to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. The Company continuously monitors its activities for quality control and safety, and although the Company maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that the Company considers reasonable and commercially justifiable.

SEASONALITY

The Company's financial results are directly affected by the seasonal nature of the North American oil and natural gas industry, particularly in portions of western Canada and Northern United States. The first quarter incorporates the winter drilling season when a disproportionate amount of the activity takes place in western Canada and Northern United States. During the second quarter, soft ground conditions typically curtail oilfield activity in all of the Company's Canadian operating areas and its operating areas in North Dakota such that equipment is unable to be moved due to road weight restrictions. This period, commonly referred to as "spring break-up", occurs earlier in the year in northern United States and southeast Alberta than it does in northern Alberta and northeast British Columbia. Consequently, this could impact the Company's three-month revenue period. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Company might not be able to access well sites and its operating results and financial condition could therefore be adversely affected. Services may also be affected by severe winter weather in North America. In addition, during excessively rainy periods in any of the Company's operating areas, equipment moves may be delayed, thereby adversely affecting revenue. The volatility in the weather adds a further element of unpredictability to activity and utilization rates, which can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

LEGAL PROCEEDINGS

From time to time, the Company is involved in legal proceedings which are usually related to normal operational or labor issues, such as the class and collective action discussed under the heading "Litigation." The results of such legal proceedings or related matters cannot be determined with certainty. The Company's assessment of the likely outcome of such matters is based on advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal framework and precedents, relevant financial and operational information and other evidence and facts specific to the matter as known at the time of the assessment. If these claims, or any claims which the Company may be subject to in the future, were to be determined in a manner adverse to the Company or if the Company elects to settle one or more of such claims, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

SAFETY STANDARDS

Standards for the prevention of incidents in the oil and gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, the Company has developed and implemented safety and training programs, which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of the Company's safety performance could result in a decline in the demand for the Company's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

MANAGEMENT STEWARDSHIP

The successful operation of the Company's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of its key employees. If the Company lost the services of one or more of its executive officers or key employees, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

BENEFITS OF ACQUISITIONS AND DISPOSITIONS

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Any acquisition that the Company completes could have unforeseen and potentially material adverse effects on the Company's financial position and operating results. Some of the risks involved with acquisitions include: unanticipated costs and liabilities; difficulty integrating the operations and assets of the acquired business; inability to properly access and maintain an effective internal control environment over an acquired company; potential loss of key employees and customers of the acquired company; and increased expenses and working capital requirements.

The Company may incur substantial indebtedness to finance acquisitions and may also issue equity securities in connection with any such acquisitions. Debt service requirements could represent a significant burden on the Company's results of operations and financial condition and the issuance of additional equity could be dilutive to the Company's shareholders.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The inability of the Company to realize the anticipated benefits of acquisitions and dispositions could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

NEW TECHNOLOGIES AND CUSTOMER EXPECTATIONS

The ability of the Company to meet its customers' performance and cost expectations will depend upon continuous improvements in operating equipment and proprietary technology. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Company to do so could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

CLIMATE CHANGE INITIATIVES

Canada is a signatory to the United Nations Framework Convention on Climate Change (the "UNFCCC") and previously ratified the Kyoto Protocol established thereunder, which set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide, and other greenhouse gases ("GHG"). The first commitment period under the Kyoto Protocol was the five year period from 2008-2012. In December 2011, the Canadian federal government officially withdrew from the Kyoto Protocol, citing the Protocol's high costs to meet obligations, lack of effectiveness in meeting the challenges of global climate change, and the absence of ratification by the United States as reasons for withdrawal.

In December 2009, UNFCCC representatives met in Copenhagen, Denmark, where they reached a deal termed the Copenhagen Accord, a successor to the Kyoto Protocol. The Copenhagen Accord represents a broad political consensus and reinforces commitments to reducing GHG emissions but is not a binding international treaty. Although Canada had committed under the Copenhagen Accord to reduce its GHG emissions by 17 percent from 2005 levels by 2020, the target is not legally binding.

In December 2011, the UNFCCC established the Ad Hoc Working Group on the Durban Platform for Enhanced Action (the "Durban Platform"). The goal of the Durban Platform is to "develop a protocol, another legal instrument or an agreed outcome with legal force" through negotiations among UNFCCC countries to accelerate the reduction of GHG.

In December 2015, UNFCCC members met in Paris, France where Canada, along with 195 other countries, signed a new climate agreement (the "Paris Agreement"). Under the Paris Agreement, Canada is legally bound to report and monitor its GHG emissions, though details of how this will take place have yet to be determined. Signatory countries agreed to meet every five years to review their individual progress on GHG emissions reductions and consider amendments to their targets. Generally, the Paris Agreement includes the goal of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C" overall, though individual country targets designed to meet these levels are not legally binding. Additionally, the Paris Agreement contemplates that by 2020, the parties will develop a new market-based mechanism related to carbon trading. On December 12, 2015, the Canadian federal government stated that it will develop and announce its Canada-wide approach to implementing the Paris Agreement within 90 days.

On May 15, 2015, the Canadian federal government's announced plans to reduce GHG emissions by 30 percent below Canada's 2005 levels by 2030 (referred to as the Nationally Determined Contribution). Canada's previous GHG emission reduction target under the Copenhagen Accord was to reduce GHG emissions to 17 percent below 2005 levels by 2020. Canada formally submitted the Nationally Determined Contribution to the UNFCCC. In December 2014, the former Canadian federal government published Canada's Action of Climate Change declaring its intention to take action on climate change by reducing GHG emissions through a sector-by-sector regulatory approach to protect the environment and support economic prosperity. To date, Canada has implemented GHG reducing regulations for renewable fuels, transportation, and coal-fired electricity; however, given the recent change in federal government, the status of any unimplemented initiatives proposed by the former government is unclear.

In 2009, the Canadian federal government announced its commitment to work with the provincial governments to implement a North America-wide cap-and-trade system for GHG emissions, in cooperation with the United States, under which Canada would have its own cap-and-trade market for Canadian-specific industrial sectors that could be integrated into a North American market for carbon permits. The Government of Canada has yet to disclose whether or not it intends to pursue the cap-and trade plan. On October 18, 2015, delegates of the Canadian Chamber of Commerce adopted a resolution aimed at reducing GHG emissions by pressuring the Federal Government to work with the provinces to adopt a national carbon tax or cap-and trade system but to date, no further action has been taken other than as outlined above.

In November 2015, the Alberta government released the Climate Change Advisory Panel's Climate Leadership Report to the Minister (the "Report") and the Climate Leadership Plan (the "Plan"). The Plan highlights four key strategies to address climate change: (1) the complete phase out of coal-fired sources of electricity by 2030, with cleaner, renewable energy sources in coal's place; (2) replacing the current emissions intensity carbon pricing program with an emissions performance standard; (3) capping oil sands emissions to a province-wide total 100 megatonnes per year and adding a carbon price for oil sands facilities; and (4) reducing methane emissions by 45 percent by 2025.

The Alberta government is still developing the details of how the Plan will be implemented, but the Report claims carbon pricing will be central to the new strategy. The Report proposes a Carbon Competitiveness Regulation which would include elements of cap-and-trade and carbon tax regimes with distinctions between large industrial emissions (facilities emitting greater than 100,000 tonnes of GHG annually) and end-use emissions (those from transportation and heating fuels). The Report also states that the 100 megatonne limit on oil sands facilities will be subject to exceptions for cogeneration and new upgrading capacity.

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with provincial emission reduction requirements, such as those in effect under Alberta's Climate Change and Emissions Management Act and potential further provincial requirements, may require the reduction of emissions or emissions intensity from the Company's operations and facilities. Mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for oil and natural gas producers. The Company is unable to predict the impact of current and pending emissions reduction legislation on the Company and it is possible that such impact would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

INTELLECTUAL PROPERTY

The success and ability of the Company to compete depends on the proprietary technology of the Company. The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents to protect its proprietary technology. The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Company or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technology that is similar or superior to the technology of the Company or such third parties or design technology in such a way as to bypass the patents owned by the Company and/or such third parties.

Despite the efforts of the Company, the intellectual property rights, particularly existing or future patents, of the Company may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to the Company's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

CONFIDENTIAL INFORMATION

The Company's efforts to protect its confidential information, as well as the confidential information of its customers, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. If any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage the Company's reputation and diminish its competitive position. In addition, the affected customers could initiate legal or regulatory action against the Company in connection with such incidents, which could cause the Company to incur significant expense. Any of these events could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

DEMAND FOR OIL AND NATURAL GAS

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on its business, financial condition, results of operations and cash flows.

SOURCES, PRICING AND AVAILABILITY OF RAW MATERIALS, COMPONENTS AND PARTS

The Company sources its raw materials, such as components and parts. Should the Company's current suppliers be unable to provide the necessary raw materials and components at a price acceptable to the Company or otherwise fail to deliver products in the quantities required. Any resulting cost increases or delays in the provision of services could have a material adverse effect on its business, financial condition, results of operations and cash flows.

EMPLOYEES

The Company may not be able to find enough skilled labor to meet its needs, and this could limit growth. The Company may also have difficulty finding enough skilled labor in the future if demand for its services increases. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increase with stronger demand for oilfield services. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

Other factors can also affect the Company's ability to find enough workers to meet its needs. Volatility in oil and natural gas activity, however, may prompt workers to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to the Company's. The Company's success depends on its ability to continue to employ and retain skilled technical personnel and qualified oilfield personnel. If the Company is unable to, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

TAX ASSESSMENTS

The Company files all required income tax returns and believes that it is in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income (loss) for tax purposes or could change administrative practices to the Company's detriment. A successful reassessment of the Company's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on the Company's financial condition and cash flows.

GROWTH-RELATED RISKS

The Company's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company proved unable to deal with this growth, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

ADVISORIES

FORWARD-LOOKING STATEMENTS

In order to provide Questor shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Questor's plans and future operations, certain statements contained in this MD&A, including statements that contain words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "forecast" or similar words suggesting future outcomes, are forward-looking statements.

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to expected operating strategies and targets, capital expenditure programs, future financial resources, use of funds held in the Company's segregated bank account (as an equity cure or otherwise), anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, results of acquisitions, the impact of environmental regulations and economic reforms and sanctions on the Company's business, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events, trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth prospects including, without limitation, its international growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements. These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the effect unconventional gas projects have had on supply and demand fundamentals for natural gas and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: general economic conditions in Canada, the United States, volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; competition; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; changes in legislation and the regulatory environment; sourcing, pricing and availability of raw materials, components, parts, equipment, suppliers, facilities and skilled personnel; the ability to integrate technological advances and match advances by competitors; the availability of capital on satisfactory terms; intellectual property risks; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; dependence on, and concentration of, major customers; the creditworthiness and performance by the Company's counterparties and customers; liabilities and risks associated with prior operations; the effect of accounting pronouncements issued periodically; failure to realize anticipated benefits of acquisitions and dispositions; and currency exchange rate risk. Further information about these and other risks and uncertainties may be found under "Business Risks" above.

Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. These statements speak only as of the respective date of this MD&A or the document incorporated by reference herein. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

ADDITIONAL INFORMATION

Further information regarding Questor Technology Inc. can be accessed on the Company's website at www.questortech.com or under the Company's public filings found at www.sedar.com.