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, 2017 compared to the year ended December 31, 2016.

This MD&A, dated March 29, 2018, 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, 2017 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, 2017 (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.

QUESTOR'S BUSINESS

Questor Technology Inc. ("Questor" or the "Company") is incorporated in Canada under the Business Companies Act (Alberta). Questor is a public, international environmental Cleantech company founded in 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 combustion systems; as well as, power generation systems and water treatment solutions utilizing waste heat. The Company's 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.

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

FINANCIAL OVERVIEW - YEAR ENDED DECEMBER 31, 2017 VERSUS 2016

CONSOLIDATED HIGHLIGHTS

Years Ended December 31,	**2017**	2016	Change
(stated in CDN$) *(unaudited)*	*($)*	*($)*	*(%)*
Revenue	**19,458,016**	7,078,333	>100
Gross Profit[(1)]	**11,223,032**	2,680,775	>100
Adjusted EBITDA[(1)]	**8,239,230**	403,973	>100
Earnings (Loss) for the year	**3,849,331**	(444,766)	>100
Per share — basic	**0.15**	(0.02)	>100
Per share — diluted	**0.14**	(0.02)	>100
Working capital, end of period	**6,854,250**	7,595,068	(33)
Total assets, end of period	**23,538,004**	16,346,546	55
Total equity, end of period	**18,779,219**	14,765,975	28

(1) Refer to "Non-GAAP Measures" on page 13 for further information.

2017 HIGHLIGHTS

- Revenue increased $12.4 million (175%) for the 12 months ending December 31, 2017 versus the same period of 2016:
  - Revenue from incinerators rentals increased 256% from $3.2 million in 2016 to $11.4 million in 2017;
  - Incinerator sales increased 97% from $3.3 million in 2016 to $6.5 million in 2017;
  - The Company invested $7.8 million during the year increasing the investment in the rental fleet by 127%;
  - Questor’s revenue growth in 2017 has demonstrated that the Company’s proprietary combustion technology is an effective solution for Colorado’s active oil and gas market when complemented with the State’s regulated enclosed combustion requirements.

- Gross profit increased over 300% from $2.7 million in 2016 to $11.2 million in 2017 as result of :
  - Higher sales and rental revenue;
  - Rental revenue mix increased from 45% in 2016 to 59% in 2017, rental revenues carry lower cost of sales which resulted in improved overall margins and gross profit;
  - The Company focused on managing operations infrastructure making minimal changes to both indirect headcount and fixed costs despite increased activity, as result overall margins improved as a percentage of revenue;
  - The Company implemented significant changes to its supply chain, resulting in lower cost supply of materials and product.

- Adjusted EBITDA increased $7.8 million as a result of:
  - Rental equipment investment and reallocation of assets into US;
  - High utilization of rental equipment in the US region as result of demand for high performing combustion technology;
  - Increased sales of equipment as result of successful introduction of the hybrid incinerator;
  - Commitment to the rental business model resulted in higher mix of rental revenue streams that carry higher profit margins;
  - Administrative infrastructure cost control; there were minimal changes to both headcount and administrative operating infrastructure during 2017.

CONSOLIDATED

Years Ended December 31,	**2017**	2016	Change
(stated in CDN$) *(unaudited)*	*($)*	*($)*	*(%)*
Revenue	**19,458,016**	7,078,333	>100
Cost of Sales	**8,234,984**	4,397,558	87
Gross Profit[(1)]	**11,223,032**	2,680,775	>100
Gross Profit (%)	**58**	38	53

[(1)] *Refer to "Non-GAAP Measures" on page 13 for further information.*

REVENUE

Revenue for the twelve months ended December 31, 2017 was $19.5 million versus $7.1 million in 2016, for an increase of $12.4 million. The following is a breakdown of revenue by the major service lines comprised of rentals, sales and services. Incinerator rentals were $11.4 million versus $3.2 million in the same period of 2016. Incinerator sales were $6.5 million versus $3.3 million in the same period of 2016. Incinerator service revenue was $1.6 million versus $0.6 million in the same period of 2016.

Rentals

Revenue from incinerators rentals during the twelve months ended December 31, 2017 increased 256% versus the same period of 2016. The increase is a result of the combined effect of capital invested expanding the rental fleet and significantly higher rental utilization during the twelve months ended December 31, 2017 versus the same period of 2016.

Questor has invested $7.8 million in rental unit expansion since December 31, 2016. The investment resulted in expanding the rental pool by 33 units and added a new rental revenue stream with 13 detachable stack tops. All of the rental expansion equipment has been mobilized to Colorado. Colorado's active oil and gas market combined with the State's regulated enclosed combustion requirements is a strong driver for the Company's proprietary combustion technology.

The detachable stack tops allow clients to purchase a base level of capacity and rent additional capacity throughput to meet the shorter term demands of high initial production. The benefits to the client are lower capital and operating costs, reduced lease foot print, and elimination of the tallest, most visually impactful equipment at production facilities.

Rental utilization during the twelve months ended December 31, 2017 increased 90% versus the same period of 2016. Utilization for the twelve months ended December 31, 2016 was lower as the Company reallocated a portion of the existing rental equipment from Canada to the US region. The reallocation resulted in non-reoccurring transportation costs from Alberta to Colorado and also non-reoccurring interruption to rental revenue streams during the transit period.

Sales

Incinerator sales increased $3.2 million versus the same period of 2016. In the first quarter of 2017, Questor received a $4.0 million order from a key customer for hybrid units to be delivered during 2017. The Company delivered 100% of the order during the twelve months ended December 31, 2017.

Service

Incinerators service revenue increased $1.0 million during the twelve months ended December 31, 2017 versus the same period of 2016 due to increased rental and sales commissioning activity.

GROSS PROFIT

Gross Profit for the twelve months ended December 31, 2017 was $11.2 million versus $2.7 million in 2016, for an increase of $8.5 million. The $8.5 million increase in gross profit was the result of higher rental and sales revenue.

The rental revenue increase for the twelve months ended December 31, 2017, as discussed above, increased gross profit by approximately $6.5 million versus the same period in 2016. Increased sales revenue contributed to additional gross profit of $1.2 million versus the same period in 2016. Increased service revenue contributed to additional gross profit of $0.5 million versus the same period in 2016.

CORPORATE

Years Ended December 31,	**2017**	2016	Change
(stated in CDN$)	***($)***	*($)*	*(%)*
(unaudited)			
Gross Profit[1]	**11,223,032**	2,680,775	>100
less corporate costs :			
Administration expenses	**3,334,274**	3,057,790	9
Depreciation of property and equipment	**35,648**	42,338	(16)
Amortization of intangible assets	**358,211**	3,621	>100
Net foreign exchange losses	**489,392**	101,164	>100
Impairment	**1,200,000**	-	>100
Other expense (recovery)	**195,095**	(197,293)	>100
Profit (loss) before tax	**5,610,412**	(326,845)	>100
Income Tax	**1,761,081**	117,921	>100
Earnings (Loss) for the year	**3,849,331**	(444,766)	>100

(1) Refer to "Non-GAAP Measures" on page 13 for further information.

ADMINISTRATIVE EXPENSES

Administration expenses during the twelve months ended December 31, 2017 increased 9% versus the same period of 2016. The majority of the increase is a result of accrued incentive compensation recorded during the period. The Company has exceeded targets set for the fiscal year which triggers incentive compensation payments.

Administration infrastructure is consistent with the prior year. There have been minimal changes to both headcount and administration operating infrastructure. The most significant change to administrative costs for 2017 is related to Questor's expansion into the United States. This has resulted in an overall increase in corporate costs primarily related to tax filing and advisory services. Insurance costs have also increased due to a high mix of work performed in the United States. The Company is required to carry additional policies specific to the US and incremental coverage for increased activity and equipment.

DEPRECIATION

For the year ended December 31, 2017, administrative depreciation expense decreased by 16 percent. There was very little capital-spending relating to administrative assets and therefore depreciation was relatively consistent to the prior year.

AMORTIZATION OF INTANGIBLE ASSETS

The Company has incurred $2,390,846 of development expenses relating to the waste heat to power technology. The development expenses have been recorded to intangible assets. The Company received $617,894 of funding from Sustainable Development Technology Canada (SDTC) for the development of the waste heat to power technology relating to 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 to a net $1,772,952.

The Company has determined the waste heat to power technology has reached the commercialization stage and recorded an amortization charge of $354,590 during the year.

FOREIGN EXCHANGE LOSSES

The Company has recorded an unrealized $0.5 million foreign exchange loss for the twelve months ended December 31, 2017 versus $0.1 million in the same period of 2016. The foreign exchange loss recorded during the period was attributable to the translation of U.S. dollar-denominated monetary assets which depreciated against the Canadian dollar over the year. The Company transacts a significant majority of its revenue in the United States and carries US receivables and cash balances.

IMPAIRMENT

The Company acquired ClearPower Systems in 2014 and recorded $687,398 of goodwill relating to that acquisition. Subsequent to the acquisition, the Company continued to invest in technology development relating to waste heat recovery to power solutions. ClearPower Systems operates as a cash generating unit (CGU). The carrying costs of the CGU are reflected in the Company's consolidated intangible assets and goodwill balances.

Annual impairment tests of goodwill and indefinite life intangible assets were completed at December 31, 2017 as disclosed in the 2017 Audited Annual Financial Statements - note's 3, 7, and 8. The recoverable amounts of the ClearPower Systems segment have been determined based on a value in use calculation using pre-tax cash flow projections, forecasts over a five year period based on management's best estimates, and using a pre-tax discount rate of 19%. The most significant assumptions used in the impairment calculation are the discount rate and the estimates used in determining future expected cash flows.

Improved cost-competitiveness and advanced capabilities of clean power generation technologies are becoming more competitive thereby providing sustainable low carbon solutions. While the drivers are more compelling, other factors such as technology adoption, regulative support, and the economy continue to slow the clean energy transition. The Company views that these factors have slowed the commercialization of ClearPower. As a result of the delayed commercialization results, there were indicators of an impairment loss related to the goodwill and intangible assets associated with this reporting unit.

The results of the impairment test determined the estimated fair value of this reporting unit was $1,200,000 less than its carrying amount. An impairment loss of $1,200,000 has been recorded in 2017, with a corresponding charge to goodwill of $687,398 and intangible assets of $512,602.

OTHER EXPENSE (INCOME)

During the twelve months ended December 31, 2017, the Company recorded a $0.2 million allowance for doubtful accounts provision against its receivables as result of one customer in the United States.

During the twelve months ended December 31, 2016, the Company was able to recover $0.2 million of the bad debts previously recorded as doubtful accounts.

INCOME TAX

The increased tax expense is primarily the result of improved earnings as discussed above. The effective tax rate is higher than the Canadian enacted tax rates due to higher tax rates for our US operations and permanent differences related to stock compensation, unrealized foreign exchange losses and non-deductible meals, travel and entertainment.

LIQUIDITY AND CAPITAL RESOURCES

Years Ended December 31,	**2017**	2016
(stated in CDN$)	**($)**	**($)**
(unaudited)		
Cash provided by (used in):		
Operating activities	**4,735,711**	2,304,931
Financing activities	**3,500**	133,025
Investing activities	**(7,536,501)**	(818,555)
Increase (decrease) in cash	**(2,797,290)**	1,619,401

OPERATING ACTIVITIES

Cash provided by operating activities for the year ended December 31, 2017 was $4.7 million versus $2.3 million cash for the same period in 2016. The increase in "cash provided by" is the result of higher profitability, significantly offset by higher receivables year over year, increased inventories and a higher amount of deposits made on equipment purchases. The increases in receivables, inventory and deposits are result of increased activity and reflected in "movements in non-cash working capital" as shown in the financial statements.

FINANCING ACTIVITIES

During 2017 and 2016, the financing activities consisted of the issuance of common shares on employee-exercised stock options.

The Company made no draws on its revolving demand operating loan during the year ended December 31, 2017. 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, 2017, the Company had no outstanding letters of credit on this facility.

The availability of this facility is also subject to the Company meeting certain financial covenants. As shown in the table below, at December 31, 2017, the Company complied with the financial covenants associated with its credit facilities.

	Covenant	**Actual**	Actual
As at December 31	2017	**2017**	2016
Working capital ratio not to fall below	1.25x	**2.56x**	5.8x
Debt service ratio must be greater than	1.25x	***no debt***	*no debt*
Total liabilities to tangible net worth not to exceed	2.5x	**0.25x**	0.13x

INVESTING ACTIVITIES

The Company invested $7.8 million (see Note 6 of the December 31, 2017 Audited Financial Statements) in the Company's incinerator rental fleet during 2017. The investment resulted in expanding the rental pool by 33 units and added a new rental revenue stream with 13 detachable stack tops.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The Company transacts the majority of its revenue in the United States and carries US receivables and cash balances. The foreign exchange loss recorded during the year was attributable to the translation of U.S. dollar-denominated monetary assets which depreciated against the Canadian dollar over the year.

CAPITAL RESOURCES

The Company believes that its cash deposits, non-cash working capital, net cash generated from operating activities and new debt facilities will provide sufficient capital resources and liquidity to fund operations and anticipated capital requirements in 2018.

At December 31, 2017, the Company had $3.8 million of cash deposits compared to $6.7 million at December 31, 2016. The decrease in cash was result of the $7.8 million investment in the Company's incinerator rental fleet during 2017.

Subsequent to December 31, 2017, the Company renegotiated its existing Operating Loan Facility ("Operating Loan") and secured an additional Capital Loan Facility ("Capital Loan") and Export Development Canada Secured Letter of Guarantee Facility ("EDC Facility"). The Company's operating loan has been increased to a maximum of $1,000,000 (previously $560,000), the availability of which is subject to specified margin requirements. The capital loan was secured to assist in the financing of capital expenditures. The facility makes available a revolving demand capital loan to a maximum of $5,000,000. The EDC facility was secured to assist in the financing of the day to day operations of the Company through the issuance by the Bank of letters of guarantee, standby letters of credit, and performance bonds. The new facilities are detailed in the 2017 Audited Annual Financial Statements – note 24 "Subsequent Event".

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. During the year ended December 31, 2017, 12,500 (2016 – 480,000) options were exercised for cash consideration of $3,500 (2016 - $133,026).

During the year ended December 31, 2016, the shareholders approved an amendment to the Corporation's stock option plan to fix the maximum number of common shares reserved for issuance at 10% of the number of common shares of the Corporation issued and outstanding. At December 31, 2017, the number of common shares reserved for issuance under Corporation's stock option plan was fixed at a maximum of 2,645,737 shares versus 2,644,487 at December 31, 2016.

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. As at March 29, 2017, there were 26,457,370 common shares issued and outstanding and 1,621,500 options issued.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	**Dec. 31, 2017**	Sep. 30 2017	Jun. 30 2017	Mar. 31 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016
(stated in '000's CDN$ except per share amounts) (unaudited)	($)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Financial								
Revenue	**6,812**	5,686	3,936	3,023	2,483	1,675	697	2,224
Gross Profit(1)	**4,190**	3,209	2,364	1,461	1,105	794	(132)	914
Adjusted EBITDA(1)	**3,630**	2,248	1,599	847	580	226	(587)	185
Profit (loss) for the period	**1,049**	1,425	959	416	244	(96)	(297)	4
Per share – basic	**0.04**	0.06	0.04	0.02	0.01	0.00	(0.02)	0.00
Per share – diluted	**0.04**	0.05	0.04	0.02	0.01	0.00	(0.02)	0.00

1) Refer to "Non-GAAP Measures" on page 13 for further information.

FINANCIAL OVERVIEW - THREE MONTHS ENDED DECEMBER 31, 2017 VERSUS 2016

CONSOLIDATED HIGHLIGHTS

Three Months Ended December 31,	**2017**	2016	Change
(stated in CDN$) *(unaudited)*	*($)*	*($)*	*(%)*
Revenue	**6,812,039**	2,482,679	>100
Gross Profit[1]	**4,189,955**	1,104,536	>100
Adjusted EBITDA[1]	**3,630,120**	580,145	>100
Profit for the period attributable to the shareholders of Questor	**1,048,704**	244,364	>100
Per share — basic	**0.04**	0.01	>100
Per share — diluted	**0.04**	0.01	>100

[1] Refer to "Non-GAAP Measures" on page 13 for further information.

FOURTH QUARTER HIGHLIGHTS

- Revenue increased $4.3 million (174%) for the 3 months ending December 31, 2017 versus the same period of 2016:
  - Revenue from incinerators rentals increased 400% from $0.9 million in 2016 to $4.6 million;
  - Incinerator service revenue increased from 0.2 million to $0.7 million.

- Gross profit increased 280% from $1.1 million in 2016 to $4.2 million.

- Adjusted EBITDA increased 500% from $0.6 million in 2016 to $3.6 million.

CONSOLIDATED

Three Months Ended December 31,	**2017**	2016	Change
(stated in CDN$) *(unaudited)*	*($)*	*($)*	*(%)*
Revenue	**6,812,039**	2,482,679	>100
Cost of sales	**2,622,084**	1,378,143	90
Gross profit(1)	**4,189,955**	1,104,536	>100
Cost of sales (%)	**38**	56	(31)
Gross profit (%)	**62**	44	38

(1) Refer to "Non-GAAP Measures" on page 13 for further information.

REVENUE

Revenue for the three months ended December 31, 2017 was $6.8 million versus $2.5 million in 2016, for an increase of $4.3 million. The following is a breakdown of revenue by the major service lines comprised of rentals, sales and services. Incinerator rentals were $4.6 million versus $0.9 million in the same period of 2016. Incinerator sales were $1.5 million versus $1.4 million the same period of 2016. Incinerator service revenue was $0.7 million versus $0.2 million in the same period of 2016.

Rentals

Revenue from incinerators rentals during the three months ended December 31, 2017 increased 400% versus the same period of 2016. The increase is result of the combined effect of capital invested expanding the rental fleet and significantly higher rental utilization.

Rental utilization during the three months ended December 31, 2017 increased 83% versus the same period of 2016. Utilization improvements were result of the focus in the Colorado market, the Company started to see the results of the initiative in early 2017.

Sales

In the first quarter of 2017, Questor received a $4.0 million order from a key customer for hybrid units to be delivered during 2017. Approximately 85% of the order was delivered by the end of the third quarter of 2017 with the balance delivered during the fourth quarter of 2017. Comparatively, the Company introduced and delivered the first batch of hybrid units during the fourth quarter of 2016. Incinerator sales were consistent in the fourth quarter of 2017 versus the same period of 2016 as both periods contained sales of a similar number of Hybrids.

Service

Incinerator service revenue increased during the fourth quarter of 2017 versus the same period of 2016 due to increased rental and sales commissioning projects.

GROSS PROFIT

Gross Profit for the three months ended December 31, 2017 was $4.2 million versus $1.1 million in 2016, for an increase of $3.3 million. The $3.3 million increase in gross profit was the result of higher rental and service revenue.

The $4.3 million rental revenue increase for the three months ended December 31, 2017, as discussed above, increased gross profit by $3.0 million versus the same period in 2016. Increased service revenue contributed to additional gross profit of $0.3 million versus the same period in 2016.

CORPORATE

Three Months Ended December 31,	2017	2016	Change
(stated in CDN$)	*($)*	*($)*	*(%)*
(unaudited)			
Gross profit[1]	**4,189,955**	1,104,536	>100
less corporate costs :			
Administration expenses	**861,417**	690,287	25
Depreciation of property and equipment	**1,037**	10,472	(90)
Amortization of intangible assets	**355,495**	905	>100
Net foreign exchange (gains)	**(78,337)**	(19,864)	>100
Impairment	**1,200,000**	-	>100
Other expense (recovery)	**189,700**	(6,389)	>100
Profit before tax	**1,660,643**	429,125	>100
Income Tax	**611,939**	184,761	>100
Profit for the period	**1,048,704**	244,364	>100

[1] Refer to "Non-GAAP Measures" on page 13 for further information.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by $0.2 million representing a 25 % increase in corporate expenses in 2017 from 2016. The majority of the increase is a result of accrued incentive compensation recorded during the period. The Company has exceeded targets set for the fiscal year which will trigger incentive compensation payments. Comparatively, no incentive compensation was recorded in the prior year. Administration infrastructure is consistent with the prior year.

DEPRECIATION

For the three months ended December 31, 2017, the depreciation expense variance compared to 2016 was due to an accounting adjustment. As noted in the annual commentary, for the year ended December 31, 2017, administrative depreciation expense decreased by 16%. There was very little capital-spending relating to administrative assets and therefore annual depreciation decreased from the prior year.

AMORTIZATION OF INTANGIBLE ASSETS

The Company has determined the waste heat to power technology has reached the commercialization stage and recorded $354,590 during the period.

FOREIGN EXCHANGE LOSSES

The Company's foreign exchange gain in both 2017 and 2016 resulted as the U.S. dollar appreciated against the Canadian dollar over the quarter.

IMPAIRMENT

The impairment recorded during the fourth quarter of 2017 is fully detailed on page 5.

OTHER EXPENSE (INCOME)

During the three months ended December 31, 2017, the Company recorded a $0.2 million allowance for doubtful accounts provision against its receivables as result of one customer in the United States.

INCOME TAXES

The Company recorded an income tax expense of $0.6 million in 2017 compared to $0.2 million in 2016. The effective tax rate is higher than expected due to several factors including non-deductible expenses, higher tax rates on income in the United States, and final income tax return to provision adjustments.

OUTLOOK

Questor continues to fabricate hybrids for the Colorado market with a recent announcement of a $4.6 million order and deployment of those hybrids in 2018. The technology allows clients to purchase a base level of capacity and rent additional capacity to meet the shorter term demands of high initial production. The benefits to the client are lower capital and operating costs, reduced lease footprint and clean enclosed combustion to meet stringent emission regulations in a capital constrained environment.

The Company is proud to be recognized and selected for its solutions and will continue its pursuit of existing clients as well as striving to earn the confidence of new customers.

Questor's investment in the rental fleet resulted in a doubling of its rental capacity in Colorado over 2017. The demand continues due to the restrictions on emissions as well as increased drilling activity. Questor will introduce an additional 15 Q5000 rentals and monitor the activity very closely to be poised for additional fabrication required to meet the growing needs.

In addition to meeting industry's requirements for emissions control resulting from drilling, fracturing and production operations Questor is seeing a significant demand for emissions control for well abandonment operations. State regulations require producers to abandon inactive wells prior to being eligible to receive permits for drilling new wells. Colorado has mandated the use of enclosed combustion for all Plugging and Abandonment (P&A) operations. These factors have resulted in considerable well abandonment activity and Questor is responding by providing new, portable, trailer mounted incinerators to control potential emissions from those operations.

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) and have recently introduced methane emission reduction legislation. In conjunction with U.S. Environmental Protection Agency (EPA) regulations, individual States will have additional requirements that reflect some of the unique and specific needs that extend beyond the EPA's requirements.

Colorado's Regulation 7 mandates the use of enclosed combustion and now targets methane, resulting in a statewide focus on the responsible management of potentially fugitive hydrocarbons.

While addressing renewed industry activity in Canada. Questor continues to remain apprised of regulation changes at both the Federal and provincial levels in Canada and will be poised to provide its effective approach to its valued clients. As policy continues to develop Questor continues to discuss economically advantageous solutions to its considerable client base in Alberta and it appears that a number of companies are taking leadership roles to lower their carbon footprint sooner than rules may require.

Questor's wholly owned subsidiary, Clear Power Systems Inc. (CPS), has been aggressively marketing its waste heat to power technology. While the business case for our technology is compelling, other factors such as technology adoption, regulative support, and the economy continue to slow the clean energy transition. The Company views that these factors have slowed the commercialization of ClearPower. As a result of the delayed commercialization results, we must remain diligent from an accounting perspective. Consequently, an impairment charge was included in the 2017 year-end results. This is not a reflection of the Company's confidence in the diversification initiative as we will continue to focus on the clean energy transition offering our waste heat to power technology to key markets.

Questor has moved the CPS 77 kW Organic Rankine Cycle (ORC) generator to its testing facility in Grande Prairie where it will take incinerator flue gas to demonstrate its full capability before being deployed to an actual oil and gas facility. This is an important step towards demonstrating the value to Western Canadian customers who are seeking to generate power from waste heat for areas of their operations not served by infrastructure.

Questor continues its work towards commercializing water vaporization and is in the process of testing the technology at the Grande Prairie facility with an objective to install at an oil and gas facility in 2018 for full product demonstration.

The Company remains committed to strategic and measurable technology diversification. Heat to power, water vaporization, and glycol dehydration emissions are all synergistic diversifications of clean technology products and services that will support resource development over the long term. 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.

We participated in the following this year;

Jan 11 AltaCorp | Panel member; Toronto

Jan 30 Natural Resources Canada | Mexico Trade Mission; Mexico City

Feb 10 Understanding & Implementing Alberta's Oil and Gas Sector Methane Reduction Strategy | speaker; Drayton Valley

Feb 16 Kuwait HSE Conference | Speaker: Challenges in Environmentally Sensitive Areas & Panel Chairman: Managing Water Resources

Feb 22 ERIA Luncheon | Speaker; Calgary

Apr-06 Attended Dinner with members of Canadian Parliament | Discussion aimed to strengthen Canada-US relationship; Denver, CO

Apr 21 CNOOC | China Mission; Beijing

May-03 SDTC Cleantech Leadership Summit | Panel Member - Commercialize & scale-up clean technology; Ottawa

May-17 Select USA |InvestTech; Ottawa

May-18 American Chamber of Commerce - Leader Talk | Speaker NAFTA, the EPA & Finding Success in the US; Calgary

May-30 Energy Roundtable | Panel member - Canadian Gas Strategy; Toronto

Jun-01 Oil & Gas Council Canada Assembly | Attendee: How to make Canada more competitive in Renewable sector; Calgary

Jun-07 Executive Breakfast | How to Innovate, Embrace Technology & Gain a Competitive Edge; Calgary

Jun-12 Global Methane Initiative Oil & Gas Subcommittee Meeting; Calgary

Jun-14 Global Petroleum Show - Clean Tech Knowledge Bar | Speaker: Emission Reduction Opportunities; Calgary

Jun-26 Manufacturing NAFTA Roundtable; Calgary

Jun-27 Cleantech Direction Roundtable | Participant: theme Alberta - Opportunities in Focus; Edmonton

Sep-20 TechTalk NEB | Presenter: Emission Reduction Technologies; Calgary

Sep-28 CGEF Conference | Panel Member – Clean Technology in E&P – Making it Work; Calgary

Oct-03 The Canadian Chamber of Commerce – Clean Tech Round Table; Vancouver

Oct-11 2017 Calgary Energy Roundtable | Panel Member; Calgary

Oct-13 SE Asia Extraction Trade Mission; Australia, Indonesia and Mongolia

Nov-9 Acumen Investor Presentations; Toronto and Montreal

Nov-24 Bennett Jones Business Forum; Lake Louise

Nov-30 Manitoba Environmental Industries Association | Speaker; Winnipeg

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 the industry downturn. Since Questor’s inception, the Company has experienced several business cycles and management understands how to adapt its focus through a downturn. 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. These qualities are particularly important during downturns.

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 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 the Company's operating segment. Gross profit for the period was calculated as follows:

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	**2017**	2016
(stated in CDN$) *(unaudited)*	*($)*	*($)*	*($)*	*($)*
Profit (loss) for the period	**1,048,704**	244,364	**3,849,331**	(444,766)
Add back (deduct):				
Income taxes expense	**611,939**	184,761	**1,761,081**	117,921
Impairment	**1,200,000**	-	**1,200,000**	-
Other expense (recovery)	**189,700**	(6,389)	**195,095**	(197,293)
Net foreign exchange (gains) losses	**(78,337)**	(19,864)	**489,392**	101,164
Amortization of intangible assets	**355,495**	905	**358,211**	3,621
Depreciation of property and equipment	**1,037**	10,472	**35,648**	42,338
Administrative Expenses	**861,417**	690,287	**3,334,274**	3,057,790
Gross Profit	**4,189,955**	1,104,536	**11,223,032**	2,680,775

Adjusted EBITDA is defined as net income or loss for the period less interest, taxes, depreciation and amortization, impairment and non-cash stock-based compensation. Adjusted EBITDA for the period was calculated as follows:

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	**2017**	2016
(stated in CDN$) *(unaudited)*	*($)*	*($)*	*($)*	*($)*
Profit (loss) for the period	**1,048,704**	244,364	**3,849,331**	(444,766)
Add back (deduct):				
Income taxes expense	**611,939**	184,761	**1,761,081**	117,921
Interest Income	**-**	(6,389)	**(8,229)**	(28,155)
Depreciation of property and equipment	**331,149**	157,228	**930,382**	606,900
Amortization of intangible assets	**355,495**	905	**358,211**	3,621
Impairment	**1,200,000**	-	**1,200,000**	-
Stock Based Compensation	**82,833**	(724)	**148,454**	148,454
Adjusted EBITDA	**3,630,120**	580,145	**8,239,230**	403,975

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As at December 31, 2017	Payment Due by Period				
	Total	< 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
(stated in CDN$)	($)	($)	($)	($)	($)
(unaudited)					
Facility leases	**1,670,715**	199,042	760,463	476,581	234,629
Total contractual obligations	**1,670,715**	199,042	760,463	476,581	234,629

Questor has various contractual lease commitments related to three facilities located in Alberta, Colorado 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 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 because 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 may be some tax matters under review from time to time. 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, 2017, 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 March 29, 2018, the Company has collected 85 percent of the accounts receivable invoices outstanding at December 31, 2017.

During the twelve months ended December 31, 2017, the Company recorded a $0.2 million allowance for doubtful accounts provision against its receivables as result of one customer in the United States.

The current credit risk of the oil and natural gas industry has increased significantly over the last 36 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 may vary based on credit assessment. Standard payment terms, however, are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at December 31, 2017 and 2016 are as follows:

As at December 31	**2017**	2016
0 – 60 days	**$4,840,671**	$643,192
61 – 90 days	**351,597**	412,201
greater than 91 days	**34,563**	-
Trade and other receivables	**$5,226,831**	$1,055,393

LIQUIDITY RISK

The Company's principal sources of liquidity are cash reserves, 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, 2017 and 2016, the expected timing of cash outflows relating to financial liabilities is outlined in the table below:

As at December 31	Maturity	**2017**	2016
(stated in CDN$)		*($)*	*($)*
(unaudited)			
Trade payables, accrued liabilities and provisions	Within 1 year	**3,437,873**	1,029,201
Current portion of lease inducement	Within 1 year	**26,131**	17,336
Current tax liabilities	Within 1 year	**924,228**	-
		4,388,232	1,046,537

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	**2017**	2016
(stated in CDN$)	*($)*	*($)*
(unaudited)		
Canadian dollars	**-**	3,010,837
United States dollars	**3,847,756**	3,711,809
Other non-Canadian currencies	**107**	11,251
	3,847,863	6,733,897

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 affect profit before tax by approximately $0.4 million (2016 - $0.2 million).

To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

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 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, 2017, the results of the impairment test determined the estimated fair value of the operating segment allocated the goodwill was less than its carrying amount. The goodwill impairment is detailed in note 8 of the December 31, 2017 Audited Financial Statements.

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, 2017, the results of the impairment test determined the estimated fair value of the Clear Power cash generating unit was less than its carrying amount. The impairment recorded in 2017 is detailed in note 8 of the December 31, 2017 Audited Financial Statements.

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.

STOCK-BASED COMPENSATION

The fair value of stock options is estimated at the grant date using the Black-Scholes 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.

CASH-GENERATING 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 as described in Note 22. 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 10 and 13.

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, 2017 and 2016 with respect to the preceding key management personnel compensation.

SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company renegotiated its existing Operating Loan Facility ("Operating Loan") and secured an additional Capital Loan Facility (Capital Loan") and Export Development Canada ("EDC") Secured Letter of Guarantee Facility. The Company's operating loan has been increased to a maximum of $1,000,000 (previously $560,000), the availability of which is subject to specified margin requirements. The capital loan was secured to assist in the financing of capital expenditures. The facility makes available a revolving demand capital loan to a maximum of $5,000,000. The EDC facility was secured to assist in the financing of the day to day operations of the Company through the issuance by the Bank of letters of guarantee, standby letters of credit, and performance bonds. The new facilities are detailed in the 2017 Audited Annual Financial Statements – note 24 "Subsequent Event".

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, 2017 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, 2018 with earlier application permitted.

In January 2017, 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 2016, 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 has completed its assessment and evaluation of the standard and determined it will not have a material impact on the recognition of revenue but will have an impact on the disclosures of the revenue.

In July 2016, 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. The Company has completed its assessment and evaluation of the impact of the standard and does not expect the standard to significantly impact its consolidated financial statements.

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, 2017. 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 activity and 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 may be 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 83 percent of its revenue for the year ended December 31, 2017 and, of such customers, the largest accounted for approximately 38 percent of the Company's revenue for the year ended December 31, 2017. 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 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 2016, 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, 2016, 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, 2016, 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, 2016, 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 2016, 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.

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. The Company's current suppliers may 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 need, 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 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.