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, 2019 compared to the year ended December 31, 2018.

This MD&A, dated March 31, 2020, 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, 2019 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, 2019 (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

Headquartered in Calgary, Alberta, with operations across North America, the Company provides specialized waste gas incineration products and services that destroys harmful pollutants in any waste gas stream at 99.99% efficiency enabling our clients to meet emission regulations, address community concerns and improve safety at industrial sites.

There are several methods for handling waste gases at oil and gas industrial facilities, the most common being combustion. Flaring and incineration are two methods of combustion accepted by many provincial and state regulators. Historically, the most common type of combustion has been flaring which is the igniting of natural gas at the end of a long metal tube or flare stack. This action causes the characteristic flame associated with flaring.

Incineration is the mixing and combusting of waste gas streams, air, and fuel in an enclosed chamber which are mixed at a controlled rate and ignited so that no flame is visible when operating properly. A correctly designed and operated incinerator can yield higher combustion efficiencies through proper mixing, gas composition, retention time, and combustion temperature. Combustion efficiency, generally expressed as a percentage, is represented by the amount of methane converted to CO2, or H2S converted to SO2. The more converted, the better the efficiency.

The Company designs, manufactures and services proprietary high efficiency waste gas incineration systems. The Company's incineration product line is based on clean combustion technology that was developed by the Company and initially patented in both Canada and the United States in 1999. The Company has continued to evolve the technology over the years making several improvements from the original patent which expired in November 2019. The Company currently has five new patent filings that are pending.

The Company's highly specialized technical team works with the client to understand the waste gas volume and composition allowing it to determine the correct incineration product specification to achieve 99.99 percent combustion efficiency. The incinerators vary in size to accommodate small to large amounts of gas handling ranging from 20 mcf/d to 5,000 mcf/d. The incinerators also vary in automation and instrumentation depending on the client's requirements. The Company's incinerators are currently used in multiple segments of the Oil and Gas industry including drilling, completions, production, midstream, downstream, and transportation and distribution.

The Company has three primary incinerator related revenue streams: sales, rentals and services. Incinerator services include hauling, commissioning, repairs, maintenance and decommissioning. The Company's current key incineration markets are Colorado, North Dakota, Mexico, Pennsylvania, Texas, Alberta and North East BC. The United States Environmental Protection Agency (EPA) issued regulations to reduce harmful air pollution arising from 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 has recently introduced methane emission reduction legislation. In conjunction with EPA regulations, Colorado's Regulation 7 mandates the use of enclosed combustion (incinerators) and now targets methane, resulting in a statewide focus on the responsible management of potentially fugitive hydrocarbons. North Dakota also has additional requirements that reflect some of the unique and specific needs that extend beyond the EPA's requirements. Pennsylvania is proposing legislation that will limit VOC emissions to 1.7t/year and 200t/year of methane per site, necessitating the need for highly efficient combustion equipment to deal with waste and fugitive gas emissions. Other US States are also working on enhancing regulation that deal with waste gas emissions. Mexico set a target to reduce methane emissions by 75 percent by 2025 creating an opportunity for the Company to eliminate the venting of methane through our clean combustion technology. Over 90 percent of the Company's incinerator rental fleet is in Colorado and North Dakota where regulation supports demand for its proprietary high efficiency waste gas incineration systems.

The Company services its key markets with field offices in Brighton and Fort Lupton, Colorado; Watford City, North Dakota and Grande Prairie, Alberta. The infrastructure at the field offices consist of field technicians, maintenance technicians, technical sales and administration. The facilities generally include, office space, maintenance shop and a yard to store incinerators. Personnel based out of the Company's head office in Calgary, Alberta include Officers of the Corporation, management, engineering, technical sales, accounting and administration.

FINANCIAL AND OPERATING HIGHLIGHTS – YEAR ENDED DECEMBER 31, 2019 VERSUS 2018

CONSOLIDATED

Years Ended December 31,	**2019**	2018	Change
(stated in CDN$)	***($)***	*($)*	*(%)*
Revenue	**30,194,235**	23,472,526	29
Gross Profit	**16,262,157**	13,781,407	18
Earnings for the year	**7,428,590**	7,137,524	4
Per share — basic	**0.28**	0.27	4
Per share — diluted	**0.27**	0.26	4
As at December 31,			
Working capital, end of period	**17,425,861**	13,104,926	33
Total assets, end of period	**42,110,012**	30,942,245	36
Total equity, end of period	**35,333,667**	26,379,456	34

2019 HIGHLIGHTS

- Revenue increased $6.7 million (29 percent) for the twelve months ending December 31, 2019 versus the same period in 2018:
  - Incinerator equipment sales increased over 100 percent from $5.2 million in 2018 to $11.8 million in 2019;
  - Revenue from incinerator rentals is consistent with the prior year - $15.7 million in 2019 versus $16.1 million in 2018;
  - Incinerator service revenue increased 18 percent from $2.2 million in 2018 to $2.6 million in 2019;
  - The Company invested $7.2 million into the rental fleet during the year by expanding the rental fleet and further increasing revenue capacity;
  - The Company's successful marketing efforts expanded its customer base in Colorado and North Dakota during 2019 increasing from 11 customers in 2018 to 26 customers in 2019 diversifying revenue streams over a larger customer base.
  - At December 31, 2019 the Company recorded $2.0 million in deferred revenue. During the first quarter of 2020, the Company has delivered 5 incinerator units to customers. As a result of this work being completed, the Company recorded $1.5 million of sales revenue with a corresponding decrease of deferred revenue in the first quarter of 2020.

- Gross profit increased $2.5 million (18 percent) from $13.8 million in 2018 to $16.3 million in 2019 as a result of:
  - Capturing gross profit on incremental sales and service revenue;
  - Gross profit as a percentage of revenue decreased from 59 percent in 2018 to 54 percent in 2019 as a result of a higher mix of sales revenue versus rental revenue. Generally, sales revenue carries a higher cost of sales resulting in 5 percent lower overall margins and gross profit;
  - Commitment to supply chain management focused on procuring quality materials and sourcing materials at competitive prices.
  - Continued focused on managing operations infrastructure ensuring indirect operational resource additions are consistent with increased activity and revenue growth.

- Earnings increased $0.3 million (4 percent) for the twelve months ending December 31, 2019 versus 2018. The $2.5 million incremental gross profit was impacted by the following incremental expenses incurred during 2019 versus the prior year:
  - Administrative expenses increased $0.9 million to support the growth initiatives implemented during the year;
  - Legal fees increased $0.8 million as result of the lawsuit initiated by the Company;
  - The Company recorded a $0.3 million foreign exchange loss versus a gain of $0.4 million in 2018. The Canadian dollar strengthened significantly versus the US dollar in the last week of December 2019 resulting in a $0.3 million unrealized exchange loss recorded at year-end on US receivables and cash balances held.

- The Company significantly strengthened its financial position during the year:
  - Cash increased to $13.5 million at December 31, 2019 from $8.8 million at December 31, 2018;
  - $7.2 million invested in capital equipment during 2019 funded by cash balances and cashflow from operations;
  - $17.1 million of rental revenue generating assets with long remaining useful lives;
  - At December 31, 2019, the Company has an undrawn $1.0 million revolving demand loan facility and an undrawn $5.0 million capital loan facility;
  - Healthy cash reserves provide the working capital to thrive during tough market cycles;
  - Strong balance sheet that will serve as a foundation to launch into new products and markets.

CONSOLIDATED

Years Ended December 31,	**2019**	2018	Change
(stated in CDN$)	*($)*	*($)*	*(%)*
Revenue	**30,194,235**	23,472,526	29
Cost of Sales	**13,932,078**	9,691,119	44
Gross Profit	**16,262,157**	13,781,407	18
Gross Profit (%)	**54**	59	(8)

REVENUE

Revenue for the twelve months ended December 31, 2019 is $30.2 million versus $23.5 million in 2018, for an increase of $6.7 million. The following is a breakdown of revenue by the major service lines comprised of incinerator rentals ($15.8 million versus $16.1 million), equipment sales ($11.8 million versus $5.2 million) and incinerator service ($2.6 million versus $2.2 million).

Incinerator Rentals

The Company assesses performance of the rental revenue streams using the following parameters: 1) number of rental days, 2) revenue capacity, 3) utilization and 4) pricing. Revenue received from incinerator rentals during the twelve months ended December 31, 2019 is two percent lower than the prior year. The Company's successful marketing efforts expanded its customer base in Colorado and North Dakota during 2019 increasing from 11 customers in 2018 to 26 customers in 2019. Although rental revenue is consistent year over year, 2019 rental activity is diversified over a larger customer base.

In North Dakota, the industry has invested billions on gas processing infrastructure but is years away from seeing processing capacity exceed gas supply. Regulators are projecting that the state's increasing gas production will outstrip that new capacity. Demand for the Company's emissions control equipment in North Dakota was strong during the twelve months ended December 31, 2019 which led to rental revenue gains; however, those gains were offset by decreased rental activity levels in Colorado. New regulations in Colorado (Senate Bill 19-181) have tempered investment in the state's oil and gas fields as producers grapple with how local officials will respond to a law giving them more power at the county level. In 2019, many Colorado operators reduced capital budgets resulting in lower demand for the Company's emissions control equipment in the state versus 2018. However, Colorado still leads the way when it comes to tackling the issues of oil and gas production and environmental stewardship. This is demonstrated by large operators changing their approach and recognizing the importance of community involvement given the proximity of industry to communities. Responding to this social reality includes community engagement, altering drilling plans by adding cleaner, quieter, more efficient technology that improves factors such as air quality and noise levels.

The net effect of activity in North Dakota and Colorado resulted in an increase to the number of days rented for the twelve months ended December 31, 2019 versus the same period in 2018; however, the increase in the number of rental days was offset by pricing incentives. The Company evaluates pricing performance based on the equivalent day rates realized. Most rental contracts are priced on a day rate or monthly rate basis. All rates are converted to a day rate for performance measurement purposes. The Company offers pricing incentives to clients entering larger volume and/or long-term rental contracts. North Dakota clients are facing gas processing constraints into the foreseeable future and are more inclined to enter longer-term contracts with pricing incentives. The higher mix of contracts with pricing incentives has reduced the equivalent day rates realized during the twelve months ended December 31, 2019 versus the same period in 2018.

Rental utilization is an efficiency measure of the rental fleet asset deployment. The Company uses utilization target rates to achieve several objectives including return on capital, sales targets, equipment availability, operational performance and maintenance. The Company invested $7.2 million expanding its rental fleet during the twelve months ended December 31, 2019. The capital investment was front loaded to the first half of 2019 in order to meet expected demand. The utilization performance for the twelve months ended December 2019 is approximately 20 percent lower than Company's utilization targets, primarily driven by decreased activity levels in Colorado.

Equipment Sales

Equipment sales for the twelve months ended December 31, 2019 increased $6.6 million versus the same period in 2018. On January 7, 2019, the Company announced that it was awarded a contract to supply clean combustion incineration technology with power generation equipment at three oil and gas production facilities in Mexico comprising a total project award amount of $5.8 million. On August 26, 2019, the Company announced that it was awarded a second $2.4 million contract to supply clean combustion incineration technology for an additional 10 sites in Mexico. During the twelve months ended December 31, 2019, the Company achieved certain contract milestones and has recognized $7.9 million of sales revenue related to the two contracts. At year ended December 31, 2019, the Company has recognized revenue representing approximately 96 percent of the two contracts. The balance of the contracts is expected to be completed during Q1 2020.

Service

Incinerator service revenue during the twelve months ended December 31, 2019 increased $0.4 million versus the same period in 2018. The Company assesses performance of the service revenue streams by job volume and pricing. Job volumes are primarily linked to equipment rental and sales activity which increased over the prior year.

GROSS PROFIT

Gross Profit for the twelve months ended December 31, 2019 was $16.3 million versus $13.8 million in 2018, for an increase of $2.5 million. The Company uses gross profit margin targets as a percentage of revenue to evaluate performance. The Company also measures performance by comparing incremental gross margin contribution relative to revenue increases. For the twelve months ended December 31, 2019, gross profit increased $2.5 million on a revenue increase of $6.7 million. Gross margin performance is consistent with expectations after given consideration to pricing incentives offered to clients in North Dakota and lower than expected margins on the Mexico projects.

CORPORATE

Years Ended December 31,	**2019**	2018	Change
(stated in CDN$)	***($)***	*($)*	*(%)*
Gross Profit	**16,262,157**	13,781,407	18
less corporate costs:			
Administration expenses	**4,702,152**	3,813,353	23
Depreciation of property and equipment	**111,775**	53,317	>100
Amortization of intangible assets	**229,861**	230,062	0
Net foreign exchange losses (gains)	**286,894**	(406,524)	>100
Other expense	**710,559**	101,149	>100
Earnings before tax	**10,220,916**	9,990,050	2
Income Tax	**2,792,326**	2,852,526	(2)
Earnings for the period	**7,428,590**	7,137,524	4

ADMINISTRATIVE EXPENSES

The Company assesses general administration expense performance as a function of revenue and expects it that general and administrative expenses as a percentage of revenue will remain relatively consistent as the Company grows. General and administrative expenses were 16 percent of revenue for the twelve months ended December 31, 2019 versus 17 percent for the same period in 2018.

Administrative expenses during the twelve months ended December 31, 2019 increased 23 percent versus the same period in 2018. An additional $0.9 million administrative expenses were incurred in the following areas to support the Company's growth initiatives in the United States: engineering and sales headcount, stock-based compensation, insurance costs, accounting, tax compliance and legal advisory services. Stock based compensation expense increased as a result of additional grants awarded in December 2019. The Company is required to carry additional insurance policies specific to the US and additional coverage for increased activity. Accounting, tax compliance and legal advisory services have also increased as a result of the growth in the United States. The Company also assesses general administration expense performance by monitoring headcount additions and facility infrastructure costs. Both headcount and administrative facility infrastructure cost is consistent with Management's expectations after considering the growth initiatives implemented during the year.

DEPRECIATION OF PROPERTY AND EQUIPMENT

The increase to depreciation expense versus the prior year was the result of the Company adopting new accounting standard IFRS 16 in 2019. This adoption led to the Company's head office lease cost to be capitalized and depreciated as a right-of-use asset over the asset's remaining useful life.

AMORTIZATION OF INTANGIBLE ASSETS

The Company completed development of the waste heat to power technology in early 2017 and continues to assess that a market exists for this equipment and expects the product will provide future economic benefits. The Company has amortized the assets in 2017, 2018 and 2019 and estimates the technology should be amortized on a straight-line basis over five years.

The Company was awarded a $5.8 million Clean Combustion to Power contract to supply waste heat to power equipment in 2019 as announced January 7, 2019 and expects future contracts will be awarded, supporting this diversification initiative.

FOREIGN EXCHANGE GAINS/LOSSES

The Company recorded a $0.3 million foreign exchange loss for the year ended December 31, 2019 versus a gain of $0.4 million in 2018. Foreign exchange gains and losses arise from the translation of net monetary assets or liabilities that are held in U.S. dollars. The foreign exchange losses incurred during the year are attributable to the translation of U.S. dollar-denominated monetary assets which depreciated against the Canadian dollar. The Canadian dollar strengthened significantly versus the US dollar in the last week of December 2019 resulting in a $0.3 million unrealized exchange loss recorded at year-end on US receivables and cash balances held.

The Company currently has limited commitments in US dollars and as result has not implemented currency hedges. The Company will continue to monitor currency requirements and may implement currency strategies to satisfy obligations or commitments when they arise.

OTHER EXPENSE

The Company incurred $0.8 million of legal expenses for the twelve months ended December 31, 2019 related to intellectual property litigation. The Company is the plaintiff and is taking action to protect and enforce certain intellectual property rights. After consultation with outside counsel, the Company expects the litigation will result in the Company holding rights to patent pending technology developed by the Company.

INCOME TAX

The Company recorded an income tax expense of $2.8 million in 2019 compared to a $2.9 million in 2018. The effective tax rate for the twelve months ended December 31, 2019 was 27.3 percent versus 28.5 percent for the same period in 2018. The current enacted tax rate for the Company is 26.5 percent. For the twelve months ended December 31, 2019, the effective tax rate is higher than the Canadian enacted tax rates due to permanent differences related to stock-based compensation, unrealized foreign exchange losses, and non-deductible meals, travel and entertainment.

For the twelve months ended December 31, 2019, the Company recorded a deferred tax recovery of $0.1 million attributable to the decrease in the Alberta provincial income tax rate for the periods from July 1, 2019 to January 1, 2022, which reduces the provincial rate to 11 percent effective July 1, 2019, and further reduces it by 1 percent on January 1st for the years 2020, 2021, and 2022, bringing the provincial rate to 8 percent.

LIQUIDITY AND CAPITAL RESOURCES

Years Ended December 31,	**2019**	2018
(stated in CDN$)	***($)***	*($)*
Cash provided by (used in):		
Operating activities	**11,580,096**	9,129,617
Financing activities	**736,347**	72,340
Investing activities	**(7,597,773)**	(4,286,765)
Increase in cash	**4,718,670**	4,915,192

OPERATING ACTIVITIES

Cash provided by operating activities for the year ended December 31, 2019 was $11.5million versus $9.1 million for the same period in 2018. Favorable movements in non-cash working capital during 2019 are primarily result of earnings.

FINANCING ACTIVITIES

During 2019, financing activities consisted of the issuance of common shares on employee-exercised stock options providing cash proceeds of $1.1 million, versus $0.1 million in 2018, offset by lease obligation principal repayments of $0.4 million. For the twelve months ended December 31, 2019 and December 31, 2018, the Company had in place an Operating Loan Facility (“Operating Loan”), and secured an additional Capital Loan Facility (“Capital Loan”) and an Export Development Canada (“EDC”) Secured Letter of Guarantee Facility. The Company’s operating loan facility has a maximum amount of $1 million, 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 million. 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 Company made no draws on the operating loan or capital loan facilities during the twelve months ended December 31, 2019 and December 31, 2018.

The availability of this facility is also subject to the Company meeting certain financial covenants. As shown in the table below, at the year-ended December 31, 2019, the Company complied with the financial covenants associated with its credit facilities.

Years Ended December 31,		**Actual**	
	Covenant	**2019**	2018
Working capital ratio not to fall below	1.25x	**4.43x**	4.87x
Debt service ratio must be greater than	1.25x	***no debt***	*no debt*
Total liability to tangible net worth not exceed	2.5x	***0.20X***	*0.18x*

INVESTING ACTIVITIES

The Company invested $7.2 million in the Company’s incinerator rental fleet and support equipment during the twelve months ended December 31, 2019 versus $4.2 million for the same period in 2018. The Company continues to invest in the rental fleet to expand our capabilities, improve our competitive position, and increase our market share. The Company regularly reviews its capital equipment requirements and will continue to follow its policy of adjusting the capital budget on a quarterly basis to reflect changing operating conditions, cash flow and capital equipment needs.

CAPITAL RESOURCES

The Company believes that its cash deposits, non-cash working capital and net cash generated from operating activities is enough to fund operations and anticipated capital requirements in 2020. The debt facilities secured during the year are undrawn and available to provide additional capital resources.

FINANCIAL OVERVIEW - THREE MONTHS ENDED DECEMBER 31, 2019 VERSUS 2018

CONSOLIDATED HIGHLIGHTS

Three Months Ended December 31,	**2019**	2018	Change
(stated in CDN$)	***($)***	*($)*	*(%)*
Revenue	**6,816,530**	5,980,907	14
Gross Profit	**3,242,431**	2,775,709	17
Earnings for the period	**1,062,384**	1,513,342	(30)
Per share — basic	**0.04**	0.06	(33)
Per share — diluted	**0.04**	0.06	(33)

2019 Highlights

- Revenue increased $0.8 million (14 percent) for the three months ending December 31, 2019 versus the same period in 2018:
  - Revenue from incinerator rentals decreased $1.1 million from $3.6 million in 2018 to $2.5 million in 2019;
  - Incinerator equipment sales increased over 100 percent from $1.8 million in 2018 to $3.8 million in 2019;
  - Most of the increase in revenue was result of equipment sales in Mexico and Pennsylvania;
  - Incinerator service revenue was consistent with the prior year - $0.5 million in 2019 versus $0.6 million in 2018;

- Gross profit increased $0.5 million (17 percent) from $2.8 million in 2018 to $3.3 million in 2019 as result of:
  - Capturing gross profit on incremental sales revenue;
  - Gross profit as a percentage of revenue increased from 46 percent in 2018 to 48 percent in 2019;

- Earnings decreased $0.5 million (30 percent) for the three months ending December 31, 2019 versus 2018. The $0.5 million incremental gross profit was impacted by the following incremental expenses incurred during 2019 versus the prior year:
  - Administrative expenses increased $0.3 million to support the growth initiatives implemented during the year;
  - Legal fees increased $0.3 million as result of the lawsuit initiated by the Company;
  - The Company recorded a $0.2 million foreign exchange loss versus a gain of $0.2 million in 2018. The Canadian dollar strengthened significantly versus the US dollar in the last week of December 2019 resulting in a $0.2 million unrealized exchange loss recorded at year-end on US receivables and cash balances held.

REVENUE

Revenue for the three months ended December 31, 2019 was $6.8 million versus $6.0 million in 2018, for an increase of $0.8 million. The following is a breakdown of revenue by major service line:

Incinerator Rentals

Revenue was $2.5 million versus $3.6 million for the same period in 2018, for a decrease of $1.1 million versus the same period in 2018. The Company assesses performance of the rental revenue streams using the following parameters: 1) number of rental days, 2) revenue capacity, 3) utilization and 4) pricing.

As previously mentioned, the Company invested capital to expand its rental fleet, adding to the number of incinerators available for rent and therefore the rental revenue capacity. Rental revenue capacity for the three months ended December 31, 2019 was higher versus the same period in 2018. Although revenue capacity increased over the prior year, revenue from incinerator rentals during the three months ended December 31, 2019 decreased due to a lower number of rental days driven by lower utilization.

Rental utilization is an efficiency measure of the rental fleet asset deployment. The Company uses utilization target rates to achieve a number of objectives including return on capital, sales targets, equipment availability, operational performance and maintenance. Rental utilization during the three months ended December 31, 2019 decreased versus the same period of 2018 mainly due the Company's clients curtailing activity.

The Company's key pricing performance indicator is day rate. The majority of contracts are priced on a day rate or monthly rate basis. All rates are converted to a day rate for performance measurement purposes. The average day rate for the three months ended December 31, 2019 decreased versus 2018 as a result of reduced pricing to incentivize clients to enter longer term contracts.

Equipment Sales

Revenue was $3.8 million versus $1.8 million for the same period in 2018, for an increase of $2 million (more than 100 percent). Incinerator sales recorded during the quarter related to projects in Mexico, Pennsylvania and Canada.

On January 7, 2019, the Company announced that it was awarded a contract to supply clean combustion incineration technology with power generation equipment at three oil and gas production facilities in Mexico comprising a total project award amount of $5.8 million. On August 26, 2019, the Company announced that it was awarded a second $2.4 million contract to supply clean combustion incineration technology. During the three months ended December 31, 2019, the Company achieved certain contract milestones and recognized $2.0 million of sales revenue related to the two contracts. At December 31, 2019, the Company has recognized revenue representing approximately 96 percent of the two contracts. The balance of the contracts is expected to be recognized during Q1 2020.

Service

Revenue was $0.5 million versus $0.6 million for the same period in 2018, for a decrease of $0.1 million.

GROSS PROFIT

Gross Profit for the three months ended December 31, 2019 was $3.2 million versus $2.8 million in 2018, for an increase of $0.4 million. The Company uses gross profit margin targets as a percentage of revenue to evaluate cost control performance. Gross profit margin targets vary by revenue stream with rental margins being higher than equipment sales and service margins.

The Company also measures gross margin relative to revenue increases or decreases. For the three months ended December 31, 2019, gross profit increased $0.4 million on a revenue increase of $0.8 million. Gross margin performance is consistent with expectations.

CORPORATE

Three Months Ended December 31,	**2019**	2018	Change
(stated in CDN$)	***($)***	*($)*	*(%)*
Gross Profit	**3,242,431**	2,775,709	17
less corporate costs:			
Administration expenses	**1,319,364**	1,053,695	25
Depreciation of property and equipment	**31,087**	13,676	>100
Amortization of intangible assets	**57,313**	(38,594)	>100
Net foreign exchange losses (gains)	**159,502**	(187,527)	>100
Other expense	**287,065**	37,237	>100
Earnings before tax	**1,388,100**	1,897,222	(27)
Income Tax	**325,716**	383,880	(15)
Earnings for the period	**1,062,384**	1,513,342	(30)

ADMINISTRATIVE EXPENSES

Administrative expenses increased by $0.3 million representing a 25 percent increase in corporate expenses in 2019 versus 2018. The additional $0.3 million administrative expenses were incurred to support the Company's growth initiatives.

DEPRECIATION OF PROPERTY AND EQUIPMENT

The increase to depreciation expense versus the prior year was the result of the Company adopting new accounting standard IFRS 16 in 2019. This adoption led to the Company's head office lease cost being capitalized as a right-of-use asset and depreciated over the asset's remaining useful life.

AMORTIZATION OF INTANGIBLE ASSETS

As previously discussed, substantially all the expenses in this category relate to the amortization of waste heat to power technology development costs.

FOREIGN EXCHANGE LOSSES

The Canadian dollar strengthened significantly versus the US dollar in the last week of December 2019 resulting in a $0.3 million unrealized exchange loss recorded at year-end on US receivables and cash balances held.

OTHER EXPENSES

The Company incurred $0.3 million of legal expenses for the three months ended December 31, 2019 related to intellectual property litigation further detailed in the "Litigation" section below in this note to the audited financial statements.

INCOME TAXES

The decreased tax expense is primarily the result of lower earnings as discussed above.

SHARE CAPITAL

As of March 31, 2020, the Company had 27,372,620 common shares and 947,250 employee stock options outstanding.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	**Dec, 31 2019**	Sep, 30 2019	Jun, 30 2019	Mar, 31 2019	Dec, 31 2018	Sep, 30 2018	Jun, 30 2018	Mar, 31 2018
(stated in '000's CDN$ except per share amounts)	***($)***	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Revenue	**6,817**	8,294	7,363	7,720	5,981	5,761	5,733	5,997
Gross Profit	**3,242**	4,035	4,566	4,419	2,776	3,880	3,285	3,840
Earnings or the period	**1,062**	1,968	2,062	2,336	1,513	1,746	1,781	2,097
Per share – basic	**0.04**	0.07	0.08	0.09	0.06	0.07	0.07	0.07
Per share – diluted	**0.04**	0.07	0.07	0.09	0.06	0.07	0.07	0.07

OUTLOOK

Key Markets

The global coronavirus pandemic and economic slump are weighing heavily on energy prices. There are indications that prices could fall further, as demand for crude declines, leading to the potential for another oil price collapse, particularly if global supplies continue to grow. Lower oil prices have a direct effect on the cash flows of oil producers. If prices remain at the current level, producers will likely conserve cash and be forced to cut back on projects resulting in lower demand for the Company's products and services. Although the Company feels that oil prices are unsustainably low over the medium term, it is difficult to predict how long the current situation will persist.

The Company feels that a strong balance sheet is imperative for success and has focused efforts to that strategy for several years. Having a strong balance sheet not only protects the Company in economic turmoil but enables growth when the market's confidence improves. The Company currently has substantial cash reserves, a large rental fleet, and no debt.

North Dakota

The Company realized significant market share growth in North Dakota during 2019. Most of the growth is attributable to one large client operating in the state. The revenue from this client is disclosed in the "Reliance on Major Customers Risk" note 20 in the 2019 audited financial statements. Revenue attributed to this client for the twelve-months ended December 31, 2019 was $7.1 million. The client rents the Company's high-volume incinerators which are used at production facilities where gas take away capacity is restricted.

During March 2020, the client notified the Company and commenced returning several rental incinerators through the month of March, with more units expected to be returned in April. The client expects to reduce its base load of incinerators to approximately 25 percent of the average number of units rented during 2019. The Company has been in constant discussions with the client and it remains unclear if its requirements will increase during the second half of 2020. The client has consistently been a timely payor and is current on its account.

In an effort to reduce emissions, North Dakota is enforcing Federal EPA regulations at the State level. These regulations reward the use of high efficiency combustion VOCs from oil production. In separate tests conducted in 2018 and 2019, the Company was independently tested under EPA testing procedures in North Dakota and confirmed its performance in excess of 99.99 percent efficiency. The Company's higher emissions control delivers value in the form of increased oil production for our clients while maintaining NOx and VOC emissions at low and compliant levels. Overall, the Company has enhanced its presence in North Dakota during 2019 with a new base of operations that provides full-service support.

During December 2019, the Company was awarded a $1.0 million equipment sales contract by a new client in North Dakota with substantial operations in the State. The equipment was delivered to the Client during the first quarter of 2020. The Company intends to continue diversifying its customer base in the State.

In North Dakota, the industry has invested billions on gas processing infrastructure but is years away from seeing processing capacity exceed gas supply. Regulators are projecting that the state's increasing gas production will outstrip that new capacity. The need for emissions control equipment in North Dakota is expected to remain strong; however, the March 2020 oil price collapse may have a significant impact on demand as Operators contend with limited cash-flows.

Colorado

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. As such, Colorado is ground zero for a combination of oil and gas production and environmental stewardship with large operators changing their approach and recognizing they are dealing with a new social reality. The Company continues to see that the Colorado market is changing practices to adapt to new regulations since Senate Bill 181 was defeated.

As previously announced the Company was awarded a project for a permanent incinerator in Colorado. This project is significant because it is within a Municipality that is well known to require extremely high standards for any industry that operates within their jurisdiction. Additionally, it is the Company's first opportunity in the waste-water treatment arena. After a competitive bid process, the Company was privileged to have been selected for this project as it signified the Company's competitiveness in Colorado's permanent market. It also validated that our low-pressure burner technology translates to bottom-line value for clients.

The Company is anticipating that demand for its products and services in Colorado will decline in 2020 versus 2019 if the low oil price environment persists.

Canada

Based on continued volatility in commodity prices and constraints for NGL take-away options for WCSB originated production, the Company is anticipating 2020 will be a difficult year for the domestic oil and gas industry in Canada. Current regulations continue to permit flaring and do not mandate the use of efficient waste gas incineration systems. These challenges are expected to result in lower demand for its products and services in Canada.

Mexico

The Company substantially completed two large projects (96%) in Mexico during 2019. The Company is pleased to showcase its technologies to eliminate gas venting and methane and to utilize the waste heat to generate power for a significant asset owner within the oil and gas sector in Mexico. The Company has optimistic expectations for Mexico, given Mexico's aggressive objectives to address emissions within its mature oil and gas industry.

Texas and New Mexico

The demand for wellsite emissions control is extending to the Permian basin in Texas and New Mexico especially with the challenges of lack of gas pipeline infrastructure. The Company is experiencing sales and rental revenue in Texas as a direct result of our marketing efforts.

Capital Expenditures

In light of the volatility in commodity prices, the Company has immediately suspended capital expansion plans until there is a sustained commodity price recovery. This strategy preserves our liquidity while improving capital efficiency. The Company will focus increasingly on operating efficiencies and on enhancing cash flow by working with our service providers to further reduce costs.

Key Objectives

Market Share

The Company's primary objective for 2020 is to manage through the downturn and continue to support the Colorado, North Dakota, Texas and New Mexico markets by providing best in class incineration products and services. The Company believes that the clean technology industry will remain an integral component of resource development over the medium term and that the Company will be well positioned given its focus on top-tier service, quality, logistics management and technology.

Product Diversification

The Company remains committed to its strategic plan of measurable technology diversification. The combination of clean combustion incineration technology with our power generation equipment at oil and gas production facilities in Mexico is expected to showcase our commitment to this strategic initiative. The Company's wholly owned subsidiary, ClearPower Systems Inc. (CPS), continues to aggressively market its waste heat to power technology.

Innovation – Emissions Sensors

The Company continues to develop capture and transmission of field sensor data installed on our waste gas incineration systems. The data will be transmitted to an Emissions Excellence Control Center to be set-up in Calgary where a team will monitor all Company equipment from one central site. The objective of this project is to collect real time information to allow clients to demonstrate compliance with increasing regulations. The project includes specific focus on the efficient destruction of methane, VOCs and HAPs. The data gathered by this project will further reinforce existing data showing the Company's higher combustion performance (99.99 percent) as noted by the regulator in North Dakota. The data platform being developed will enable our clients in Colorado to meet the new proposed bill requiring continuous emissions monitoring. Confirmation and certification of emission reductions are becoming a key metric with regulators, the public, investors and shareholders. Most recently, many large global exploration & production (E&P) companies have stated specific emission reduction goals and tied executive compensation to meeting these goals.

Of particular interest is the development of data management technology to support the monetization of carbon offsets. The Company's leading combustion technology establishes an improvement over current practices (i.e. venting or combustion practices with lesser performance) providing a reduction in greenhouse gas (GHG) emissions. The difference in GHG emissions are known as carbon offsets and the Company will be implementing a feature of its data management that quantifies its combustion performance to determine carbon offsets in real time.

MEETINGS

We participated in the following meetings in 2019:

DATE(S)	NAME	ROLE	LOCATION
Jan 09 & 10	AltaCorp One-on-One Meetings	Attendee	Toronto, ONT, Canada
Jan 16 to 19	Peters & Co Energy Conference	Attendee	Lake Louise, AB, Canada
Jan 23	Bennett Jones Securities Forum	Attendee	Calgary, AB, Canada
Jan 31	Finance Influencer's Series One-on-One Meetings		Baltimore, MD, USA
Feb 06	TSX Venture 50 Video Interview		Calgary, AB, Canada
Feb 27	WXN Speaker Series	Panel Member	Calgary, AB, Canada
Mar 06	Bennett Jones International Women's Day	Panel Member	Calgary, AB, Canada
Mar 07-09	Lazaridis Scale Up Program – Leadership	Participant	Toronto, ONT, Canada
Mar 12 & 13	GMP Securities Investor Meetings		Montreal, QC & Toronto, ONT, Canada
Mar 14	Business Chicks Inspire	Speaker	Calgary, AB, Canada
Mar 20 to 23	SCF Partners CEO Meetings	Attendee	Telluride, CO, USA
Mar 28	U of C Energy Mixer	Panel Member	Calgary, AB, Canada
Apr 4 to 6	Lazaridis Scale Up - People	Participant	Silicon Valley, CA, USA
Apr 9	AltaCorp Investor Roadshow	Presenter	Vancouver, BC, Canada
Apr 16	Research Money Conference	Speaker & Panelist	Ottawa, ONT, Canada
Apr 23	Flaring Issues, Solutions & Technologies	Speaker	Denver, CO, USA
April 25 to 27	Lazaridis Scale Up - Product	Participant	Vancouver, BC, Canada
May 7	AltaCorp Investor Roadshow	Presenter	San Francisco, CA
May 9 to 11	Lazaridis Scale Up - Finance & Metrics	Participant	New York, NY, USA
May 16 & 17	Acumen Investor Roadshow	Presenter	Montreal, QC & Toronto, ONT, Canada
May 22	Anzmex Discovery Breakfast	Attendee	Mexico City, Mexico
May 27 to 28	Williston Basin Petroleum Conference	Panel member	Regina, SK, Canada
Jun 4	AltaCorp Investor Roadshow	Presenter	Denver, CO, USA
Jun 5 to 7	Lazaridis Scale Up - Global Growth	Participant	Silicon Valley, CA, USA
Jun 18	Flaring Issues, Solutions & Technology	Speaker	Canonsburg, PA, USA
Jun 20 to 22	Lazaridis Sales & Marketing	Participant	Waterloo, ONT, Canada
Aug 6 to 8	Canaccord Genuity Capital Markets Conference	Speaker	Boston, MS, USA
Sep 17	EDU – Future of North American Energy	Panel member	Calgary, AB, Canada
Sep 24	Women in Oil & Gas Association Presentation	Keynote speaker	Denver, CO, USA
Sep 26 & 27	Canaccord Investor Roadshow | Presenter	Presenter	Montreal, QC & Toronto, ONT, Canada
Oct 4 & 5	Technical Conference & Exhibition, Socially Responsible Engineering	Speaker	Calgary, AB, Canada
Oct 8	Scale-up Cohort	Participant	Toronto, ONT, Canada
Oct 9	IoT Seminar	Speaker	Calgary, AB, Canada
Oct 10	World Indigenous Business Forum	Speaker	Vancouver, BC, Canada
Oct 19	NGI Methane Workshop	Presenter	San Francisco, CA
Oct 22 to 24	Young Women in Business	Participant	Calgary, AB, Canada
Oct 25	Canaccord One-on-One Investor Meetings		Toronto, ONT, Canada
Oct 29 & 30	Spark 2019 Conference	Panel member	Edmonton, AB, Canada
Nov 5 & 6	Scaling Up 2019	Panel member	Ottawa, ONT, Canada
Nov 19	Raymond James One-on-One Investor Meetings		Toronto, ONT, Canada
Nov 20	Raymond James One-on-One Investor Meetings		Montreal, QC, Canada
Nov 29 & 30	Bennett Jones Business Forum	Participant	Lake Louise, AB, Canada

BUSINESS ENVIRONMENT

Oil (NYMEX WTI) and natural gas (AECO) prices are important factors that affect the results of the Company's E&P customers, and therefore, ultimately can affect the Company's financial results. The US$/CDN$ exchange rate provides context for WTI oil prices which are priced in US$. Oilfield services' industry activity statistics help provide context to the operational and financial results of the Company relative to general oilfield service activity levels.

CONTRACTS

The Company enters into two types of incinerator sales contracts. The first type is generally short term in nature with most orders completed in less than 6 months. These sales contracts contain a single performance obligation which is to manufacture and provide the completed incineration equipment. The performance obligation is satisfied by delivering the specified goods as outlined in the contract terms and conditions. Transaction price is clearly identified in the contract.

The second type is generally longer term in nature and based upon a custom order with custom equipment. These sales contracts contain multiple performance obligations over a specified period of time with the final obligation being the manufacturing and delivery of the completed incineration equipment. The obligations over time are based upon performance milestones and outlined in the contract terms and conditions. Transaction price is clearly identified in the contract.

For both types of sales contracts, the Company currently offers assurance warranties which provides the customer with assurance that the product will function as it complies with agreed-upon specifications. These sales contracts contain no other separate performance obligations.

Incinerator rental contracts are based on a daily or monthly rental rate and can range from one day to two years in term. All contracts are invoiced monthly and are based on the number of days the equipment was in the custody of the client for the month. The rental contracts contain a single performance obligation which is to provide the rental incineration equipment to the location specified by the client. The performance obligation is satisfied by delivering the specified goods as outlined in the contract terms and conditions. The Company currently provides only assurance warranties. The warranty provides the customer with assurance that the product will function as it complies with agreed-upon specifications. The contracts contain no other separate performance obligations.

Contractual Commitments

As at December 31	**2019**
2019	**$ -**
2020	**184,008**
2021	**122,488**
2022 - 2024	**400,882**
	$707,378

The Company has operating cost commitments related to various facilities located in Alberta.

LITIGATION

Periodically, the Company is subject to costs and other effects of legal proceedings, settlements, investigations, claims and actions. The Company will accrue a loss contingency estimated loss when it is deemed probable and can be reasonably estimated. The Company assesses potential liabilities by analyzing claims using available information and after 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.

The Company vs. Emissions Rx Ltd

The Company filed a claim against three former employees (the defendants) on August 14, 2018. The former employees consist of one salesperson and two engineers. The salesperson conducted sales for the Company from 2007 until April 2018. The senior engineer was hired in 2013 and acted as engineering manager until June 2018. The junior engineer was hired in 2014 and remained in that role until May 2018. The three former employees resigned over a period of two months, between April 5 and June 1, 2018. After the former employees resigned, the Company learned that they had incorporated Emission Rx on November 14, 2017, several months prior to their departures. In September 2017, the Company, tasked the former employees to design and engineer a low-pressure waste gas combustion solution (the "Questor LP Burner Technology"). By the end of 2017, the project had been completed. Emission Rx advertises that it offers the same services and products as the Company, namely low-pressure combustion system services and products. Emissions Rx now competes with the Company in the low-pressure waste gas combustion market. The Company sought injunctive relief against Emissions Rx competing in the market against the Company and infringing the Company's intellectual property. The Company asserts ownership of the Emission LP Burner Technology, through: (i) the terms of the employment agreements signed by the Individual Respondents; or (ii) the application of the common law. The court declined to issue the injunction, however ordered the Defendants to deliver all remaining Confidential Information belonging to the Company which the former employees took in breach of the employment contract. The court's decision included the statement that the Company has demonstrated that it has a prima facie case with respect to its claim that the defendants breached their fiduciary duties and their contractual duty of confidentiality. In addition, the defendants were informed in the judgement that the court would consider a protective order in respect of the profits that may be earned and accumulated by Emissions Rx pending trial. The Company intends to continue the litigation. Notwithstanding the uncertainty as to the outcome, based on the information currently available, the Company does not believe the legal expenses incurred in aggregate have a material adverse effect on its consolidated financial position.

CREDIT

The Company's accounts receivable is due from customers that operate in the oil and gas exploration and production industry and are subject to typical industry credit risks that include oil and natural gas price fluctuations and the customers' ability to secure appropriate financing. The Company assesses the credit worthiness of its customers, and monitors accounts receivable outstanding on a regular, ongoing basis.

Standard payment terms for the industry are 30-60 days from the invoice date, however industry practice allows payment up to 70 days after the invoice date. An impairment analysis is performed at each reporting date using a provision matrix to measure estimated Expected Credit Losses. The calculation reflects the probability-weighted outcome based upon information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The current credit risk of the oil and natural gas industry has increased significantly in the low oil and gas commodity price environment. 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 on December 31, 2019 and 2018 are as follows:

As at December 31	**2019**	2018
Current	**$4,106,072**	$2,192,427
31 – 60 days	**1,253,894**	1,788,986
61 – 90 days	**186,311**	417,929
Greater than 90 days	**25,673**	298,751
Trade and other receivables	**$5,571,950**	$4,698,093

LIQUIDITY

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 to maintain liquidity.

At December 31, 2019 and 2018, the expected timing of cash outflows relating to financial liabilities is outlined in the table below:

As at December 31,	Maturity	**2019**	2018
Trade payables, accrued liabilities	Within 1 year	**$2,485,445**	$1,955,019
Current portion of lease liability	Within 1 year	**273,266**	45,200
Deferred Revenue	Within 1 year	**1,982,166**	1,169,780
Current Tax Liabilities	Within 1 year	**337,617**	216,093
		$5,078,494	$3,386,092

The Company's cash balances at December 31 with all amounts reported in Canadian dollars or at the Canadian dollar equivalent, are as follows:

Years Ended December 31,	**2019**	2018
Canadian dollars	**$8,610,030**	$6,206,266
United States dollars	**4,881,246**	2,603,271
Other non-Canadian currencies	**107**	107
	$13,491,383	$8,809,644

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company generally relies on cash deposits, funds generated from operations, sale deposits received from customers and credit facilities to provide enough 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

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. The risk is primarily due to U.S. dollar transactions. 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 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 U.S. dollar would affect earnings before tax by approximately $0.4 million (2018 - $0.2 million).

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

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 23 of the audited consolidated financial statements. In addition to salaries and directors' fees, the Company also provides this group with non-cash benefits including participation in the Company's share option plan, as described in Note 22 of the audited consolidated financial statements.

In April 2019, the Company provided loans to one senior executive officer and one Director. The purpose of the loans is to allow the individuals to exercise stock options and for payment of related taxes upon option exercise. The non-interest bearing loans are on a recourse basis and secured by a promissory note. The Company loaned the senior executive officer $305,840 on April 15, 2019, the loan was repaid in full on November 12, 2019. The Company loaned the Director $83,640 on April 30, 2019, the loan was repaid in full on May 27, 2019.

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.

There were no amounts owing to or from related parties at December 31, 2019 and 2018.

ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's audited consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. The Company's significant accounting policies are described in Note 3 to the annual consolidated financial statements.

Critical accounting estimates and judgements

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 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.

Key sources of estimation uncertainty

Management deems the following judgments and estimates to be material to the Company's consolidated financial statements.

Depreciation and Amortization

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. Depreciation of the Company's property equipment and right-of-use assets, and amortization of the Company's intangible assets 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 and equipment, right-of-use assets and intangible assets.

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. During 2019, management assessed whether indicators of impairment existed and concluded no indicators were present; therefore, a test for impairment was not required.

Non-Financial Assets

The Company's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on management judgments and assessment of the CGUs ability to generate independent cash inflows. Judgments are also required to assess when impairment indicators exist and impairment testing is required.

Provisions and Contingencies

The Company is required to exercise judgment in assessing whether the criterion for recognition of a provision or a contingency has been met. The Company considers whether a present obligation exists, the probability of loss, and if a reliable estimate can be formulated.

Estimates

Allowance for Doubtful Accounts

The Company's trade and other receivables are typically short-term in nature and the Company recognizes an amount equal to the expected credit losses (ECL) on receivables. The amount of ECLs is sensitive to changes in circumstances of forecasted economic conditions.

Impairment of Inventories

The Company regularly reviews the nature and quantities of inventory on hand and evaluates the net realizable value of items based on historical usage patterns, known changes to equipment or processes and customer demand for specific products. Significant or unanticipated changes in business conditions could impact the magnitude and timing of impairment recognized.

Depreciation and amortization

Depreciation and amortization are calculated to write off the cost, less estimated residual value, of assets on a systematic and rational basis over their expected useful lives. Estimates of residual value and useful lives are based on data and information from various sources including industry practice and historic experience. Expected useful lives and residual values are reviewed annually for any change to estimates and assumptions. Although management believes the estimated useful lives of the Company's property and equipment, right-of-use assets and intangibles are reasonable, it is possible that changes in estimates could occur, which may affect the expected useful lives and salvage values of the property and equipment, right-of-use assets and intangibles.

Income taxes

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in Canadian and foreign tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to Canadian and foreign tax law and bases its estimates on the best available information at each reporting date.

Fair value of equity-settled share-based payments

The Company uses an option pricing model to determine the fair value of equity-settled share-based payments. Inputs to the model are subject to various estimates relating to volatility, interest rates, dividend yields and expected life of the units issued. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant.

NEW ACCOUNTING POLICIES

The IASB issued IFRS 16 Leases, which requires that lessees recognize lease liabilities and right-of-use (ROU) assets related to its lease commitments on the balance sheet. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. In accordance with the transition provisions in IFRS 16, the Company elected to adopt the new standard using the modified retrospective approach by recognizing the cumulative effect of initially applying the new standard on January 1, 2019 using the simplified right-of-use asset measurement method. Comparatives for the prior reporting period are not restated, as permitted under the specific transitional provisions in the standard. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The Company elected to use the following practical expedients permitted under the new standard:

• Leases with a remaining lease term of less than twelve months as of January 1, 2019 are considered short-term leases. As such, payments for such leases will be expensed as incurred.
• Leases of low value will continue to be expensed as incurred.

Several key judgments and estimates were made such as assessing whether an arrangement contains a lease, determining the lease term, calculating the incremental borrowing rate and whether to account for the lease and any non-lease components as a single lease component. On January 1, 2019, the adoption of IFRS 16 resulted in the recognition of ROU assets and lease liabilities of $0.8 million. The Company is subject to financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. The adoption of IFRS 16 did not have a material impact on the Company's reported bank covenants. The IASB issued IFRS 16, Leases, which requires that lessees recognize lease liabilities and right-of-use ("ROU") assets related to its lease commitments on the balance sheet. The Company adopted IFRS 16 on the effective date of January 1, 2019. For the 12 months ended December 31, 2018, the Company followed IAS 17.

IFRS 16, Leases

The Company has elected to apply IFRS 16 using a modified retrospective approach which does not require the restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings at January 1, 2019 and applies the standard prospectively. The following table details the impact of the adoption of IFRS 16 on the Company's balance sheet, as at January 1, 2019:

Impact on Balance Sheet Item		$
ROU assets	Increase	790,596
Current portion of lease obligations	Increase	261,723
Long-term portion of lease obligations	Increase	528,873
Current and long-term portion of lease inducement	Decrease	303,433
Properties and equipment	Decrease	189,333
Retained earnings	Increase	114,100

At January 1, 2019, the Company applied the following optional expedients permitted under the standard:

- Leases whose terms end within 12 months of initial adoption have been recognized as short-term leases;
- Leases having similar characteristics are measured on transition as a portfolio by applying a single discount rate;
- Leases having a low dollar value are not recognized as a ROU asset; and
- Use hindsight in determining the lease term where a contract contains terms to extend or terminate the lease.

On transition to IFRS 16 under the modified retrospective approach, lease payments are discounted using the Company's incremental borrowing rate as of January 1, 2019. The Company used a weighted average incremental borrowing rate of 4.95 per cent to measure the present value of the future lease payments on January 1, 2019.

Ongoing Recognition and Measurement

On the date that the leased asset becomes available for use, the Company recognizes a ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the consolidated statements of comprehensive income over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation of property and equipment expense

In accordance with the transition provisions in IFRS 16, the Company elected to adopt the new standard using the modified retrospective approach by recognizing the cumulative effect of initially applying the new standard on January 1, 2019 using the simplified right-of-use asset measurement method. Comparatives for the prior reporting period are not restated, as permitted under the specific transitional provisions in the standard. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated ROU asset is measured at the lease liability amount on January 1, 2019, resulting in no adjustment to the opening balance of retained earnings.

The Company elected to use the following practical expedients permitted under the new standard:

- Leases with a remaining lease term of twelve months or less as at January 1, 2019 are considered short-term leases. As such, payments for such leases will be expensed as incurred;
- Leases of low value based on the value of the asset when it is new, regardless of the age of the asset, will be expensed as incurred.

Several key judgments and estimates were made such as assessing whether an arrangement contains a lease, determining the lease term, calculating the incremental borrowing rate and whether to account for the lease and any non-lease components as a single lease component.

The Company is subject to financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities.

See notes 3, 8 and 13 of the audited consolidated financial statements for more information on the IFRS 16 standard.

BUSINESS RISKS

The business of the Company is subject to certain risks and uncertainties. Prior to making any investment decision, 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 is 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.

Dependence on Major Customers

During the year ended December 31, 2019, based upon individual customers comprising greater than 10 percent of total revenues, two customers (2018 – two) comprised 50 percent (2018 – 60 percent) of the Company's total revenue. Revenue generated from the largest customer represented $7.9 million or 26 percent (2018 – $10.7 million or 47 percent) of total revenues. Revenue generated from the second largest customer represented $7.1 million or 24 percent (2018 – $2.9 million or 13 percent) of total revenues. See note 20 of the audited financial statements for more information on this subject.

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 reduce pricing leading to decreased rates generally in the oilfield services industry, 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, and 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 enough 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.

Foreign Operations

Some of the Company's activity may be 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 these considerations could adversely affect the economics of exploration or development projects and the demand for the Company's 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 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 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 waste 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.

Existing and future laws and regulations may impose significant liabilities on a failure to comply with their requirements. Concerns over climate change, fossil fuel, GHG emissions, and water and land-use could lead governments to enact additional or more stringent laws and regulations applicable to the company.

Changes to environmental regulations relating to climate change could impact the demand for, formulation or quality of the company’s products, or could require increased capital expenditures, operating expenses, abandonment and reclamation obligations and distribution costs, which may not be recoverable in the marketplace and which could result in current operations or growth projects becoming less profitable or uneconomic. In addition, such regulatory changes could necessitate the company to develop new technologies, requiring significant investments of capital and resources.

As part of its ongoing business planning, the company estimates future costs associated with GHG emissions in its operations and the evaluation of future projects, based on the company’s outlook for carbon price under current and pending GHG regulations The company expects that GHG emissions regulation will continue to evolve with a carbon price signal that balances economic, environmental and energy security objectives. The company will continue to review the impact of future carbon-constrained scenarios on its business strategy.

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 could 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.

Reputational

Maintaining a positive reputation in the eyes of its customers, regulators, communities and the general public is an important aspect of the implementation of the company's business strategy. The company's reputation may be adversely impacted by the actions and activities it undertakes, as well as the activities of its employees. In addition, the company's reputation could be affected by the actions and activities of other companies operating in the energy industry and by general public perceptions of the energy industry, over which the company has no control. For example, negative publicity related to pipeline incidents, unpopular expansion plans or new projects, transportation of hydrocarbons by rail, as well as opposition from organizations opposed to oil and gas, oil sands or pipeline development, all have the potential to affect the perception of the company by its stakeholders. The increasing debate and focus on climate change have contributed to increasing negative public sentiment toward the hydrocarbon-based energy sector and higher levels of scrutiny with respect to emissions and overall environmental performance. If the company's reputation is diminished, it could result in: loss of customers; revenue loss; delays in obtaining regulatory approvals with respect to growth projects; increased operating, capital, financing or regulatory costs; lower shareholder confidence; or loss of public support for the company's business and operations.

Seasonality

The Company's financial results may be 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 the Company's Canadian operating areas and its operating areas in Colorado and 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.

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.

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.

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 time consuming 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.

Cybersecurity

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in the Company's critical systems. Risks associated with these attacks include, among other things, loss of intellectual property, disruption of the Company's and the Company's customers' business operations and safety procedures, loss or damage to the Company's data delivery systems, unauthorized disclosure of personal information and increased costs to prevent, respond to or mitigate cybersecurity events. Although the Company uses various procedures and controls to mitigate its exposure to such risk, cybersecurity attacks are evolving and unpredictable. The occurrence of such an attack could go unnoticed for a period of time. Any such attack could have a material adverse effect on the Company's business, financial condition and results of operations.

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’s growth could be limited due to its inability to find enough qualified workers. 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.

Volatility in oil and natural gas activity may also adversely affect the Company’s ability to find enough qualified workers. A volatile market may prompt workers to pursue other kinds of jobs that offer a more desirable work environment and competitive wages. The Company's success depends on its ability to continue to employ and retain qualified technical 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 is unable to deal with future growth, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Pandemics and Natural Disasters

The occurrence of pandemics, such as the recent outbreak of the novel coronavirus COVID-19; natural disasters, such as hurricanes, floods or earthquakes; or other unanticipated events, such as cyberattacks, fires, terrorist attacks or railway blockades, in any of the areas in which the Company, its customers or its suppliers operate could cause interruptions in the Company's operations. In addition, pandemics, natural disasters or other unanticipated events could negatively impact the demand for, and price of, oil and natural gas which in turn 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 the Company shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of the Company'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 several 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 and 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.