

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") for Questor Technology Inc. ("Questor" or the Company) has been prepared by management as of November 14, 2016 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three months ended September 30, 2016 and 2015. It should be read in conjunction with the interim consolidated financial statements for the three months ended September 30, 2016 as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2015.

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

QUESTOR'S BUSINESS

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

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

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

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

CONSOLIDATED HIGHLIGHTS

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
<i>(stated in CDN\$)</i>				
<i>(unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Revenue	1,674,587	1,682,607	4,595,653	5,785,255
Gross Profit ⁽¹⁾	794,491	504,852	1,576,238	2,353,144
Adjusted EBITDA ⁽¹⁾	225,796	109,470	(176,173)	1,360,549
Profit (loss) for the period	(96,484)	(90,030)	(689,131)	487,647
Per share — basic	(0.00)	(0.00)	(0.03)	0.02
Per share — diluted	(0.00)	(0.00)	(0.03)	0.02
As at	September 30, 2016		December 31, 2015	
Working capital, end of period		7,913,014		8,854,920
Total assets, end of period		15,781,630		16,280,884
Total equity, end of period		14,463,611		14,869,245

(1) Refer to "Non-GAAP Measures" on pages 10 and 11 for further information.

THIRD QUARTER 2016 OVERVIEW

- Revenue for the three months ended September 30, 2016 was \$1.7 million, consistent with the same period in 2015. Revenue decreased \$1.2 million for the nine months ended September 30, 2016 versus the same period in 2015 due to:
 - The Company continues to experience decline in incinerator sales as result of lower activity and constraints on capital spending in the North American Oil and Gas sector due to depressed oil and gas prices. Revenue from incinerators sales during the three months ended September 30, 2016 decreased 41% versus the same period of 2015. Incinerator sales decreased 32% for the nine months ended September 30, 2016 versus the same period of 2015.
 - Revenue from incinerators rentals during the three months ended September 30, 2016 increased 59% versus the same period of 2015 and increased 4% for the nine months ended September 30, 2016 versus the same period in 2015. Questor continues to experience strong demand for incinerator rentals as an alternative to incinerator sales.
- Gross profit increased \$0.3 million for the three months ended September 30, 2016 versus the same period in 2015 due to:
 - Higher rental revenue sales mix;
 - Lower repair and maintenance costs incurred than the prior year.
- Gross profit decreased \$0.8 million for the nine months ended September 30, 2016 versus the same period in 2015 due to:
 - Lower incinerator sales revenues;
 - Incremental operational resources to advance the commercialization of the waste heat to power technology;
 - Incremental expenses to transport large rental units from Canada to the Colorado market;
 - Higher maintenance costs on the incinerator rental units in preparation for U.S. projects that are now underway.
- Adjusted EBITDA increased \$0.3 million for the three months ended September 30, 2016 versus the same period in 2015 due to:
 - Higher gross profit due as described above;
 - Canadian vs. US dollar exchange fluctuations during the third quarter of 2016 resulting in a small-unrealized foreign exchange gain versus unrealized foreign exchange losses of \$0.3 million in 2015.
- Adjusted EBITDA decreased \$1.5 million for the nine months ended September 30, 2016 versus the same period in 2015 due to:
 - Lower gross profit due as described above;
 - Increased sales & marketing efforts to commercialization the waste heat to power technology;
 - Canadian vs. US dollar exchange fluctuations resulting in unrealized foreign exchange losses of \$0.1 million in 2016 vs. unrealized foreign exchange gains of \$0.2 million in 2015.

CONSOLIDATED

Three Months Ended September 30, <i>(stated in CDN\$)</i> <i>(unaudited)</i>	2016 (\$)	2015 (\$)	Change (%)
Revenue	1,674,587	1,682,607	(0)
Cost of Sales	880,096	1,177,755	(25)
Gross Profit ⁽¹⁾	794,491	504,852	57
Gross Profit (%)	47	30	

(1) Refer to "Non-GAAP Measures" on pages 10 and 11 for further information.

REVENUE

Revenue for the three months ended September 30, 2016 was \$1.7 million, consistent with \$1.7 million recorded in 2015. Incinerator sales revenue was \$0.5M during the quarter versus \$0.8 million in the same period of 2015. Incinerator rentals were \$1.1 million versus \$0.7 million in the same period of 2015. Incinerator service revenue was \$0.2 million versus \$0.3 million in the same period of 2015.

Revenue from incinerators sales during the three months ended September 30, 2016 decreased 41% versus the same period of 2015. Questor continues to experience decline in the sales of the Company's incinerators as result of lower drilling activity and constraints on capital spending in the North American oil and gas sector due to depressed oil and gas prices.

Revenue from incinerators rentals during the three months ended September 30, 2016 increased 59% versus the same period of 2015. The increase is primarily due to new large projects in the U.S. region that commenced during Q3 2016. Depressed oil and gas prices continue to effect capital constraints, as result Questor is experiencing significant interest in incinerator rentals as an alternative to incinerator sales. The Company expects demand for incinerator rentals will increase through Q4 2016.

Incinerators service revenue decreased 34% versus the same period of 2015. Service revenue is driven commissioning activity for equipment sales and new rental locations. The decrease in sales resulted in lower commissioning activity.

GROSS PROFIT (LOSS)

The Company recorded gross profit of \$0.8 million during the three months ended September 30, 2016 versus gross profit of \$0.5 million in 2015, for an increase of \$0.3 million. The \$0.3 million increase in gross profit was the result of two primary factors; higher rental revenue mix and lower repair and maintenance costs incurred than the prior year.

Incinerator rental revenue was 63% of total revenue during the three months ended September 30, 2016 vs. 39% in the same period of 2015. Incinerator rentals generate stronger margins as a percentage of revenue than incinerator sales revenue during periods of high rental fleet utilization. The revenue mix improved gross profit by \$0.2 million versus the same period in 2015.

Repair and maintenance costs for the three months ended September 30, 2016 were \$0.1 million lower than the same period in 2015. The Company schedules maintenance on the incinerator rental units when the units are not it in service. Maintenance activity was higher in the prior year as result of lower rental fleet utilization during that period. The lower repair expenditures improved gross profit by \$0.1 million versus the same period in 2015.

The Company's waste heat to power division commenced operations at its Florida fabrication facility during Q4, 2015 in order to advance the commercialization of the Waste Heat to Power technology. Questor incurred incremental operational expenses during the three months ended September 30, 2016 in the ClearPower division. There were no operational resources at the Florida fabrication facility during the three months ended September 30, 2015. The ClearPower operational costs were offset by high utilization and absorption of operational resources at the Grande Prairie fabrication facility. As result, total operational expenses were consistent for the three months ended September 30, 2016 versus the same period in 2015.

CORPORATE

Three Months Ended September 30	2016	2015	Change
<i>(stated in CDN\$)</i>			
<i>(unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
Gross Profit ⁽¹⁾	794,491	504,852	57
<i>less corporate costs :</i>			
Administration expenses	823,625	367,852	>100
Depreciation of property and equipment	(1,608)	3,579	>(100)
Amortization of intangible assets	905	905	0
Net foreign exchange (gains) losses	(49,258)	252,232	>(100)
Other expense (income)	(6,983)	(54,703)	(87)
Profit (loss) before tax	27,810	(65,013)	>(100)
Income Tax	124,294	25,017	>100
Loss for the period	(96,484)	(90,030)	7

ADMINISTRATIVE EXPENSES

The Company incurred administrative expenses of \$0.8 million during the three months ended September 30, 2016 versus \$0.4 million in 2015. The increase of \$0.4 million was result of research expenditures, increased administrative and marketing expenses in the ClearPower division, and an accounting adjustment in the prior year.

For the three months ended September 30, 2016, Questor incurred \$0.1 million of research expenses related to the Company's water vaporization technology. The research expenses relate to proprietary technical design for vaporizing produced water from oil and gas operations. For the three months ended September 30, 2015, Questor recorded a credit of \$0.2 million to research expenses and a charge to intangible assets related to the Company's water vaporization technology.

The Company incurred \$0.1 administrative and marketing expenses in the ClearPower division in order to commercialize the waste heat to power technology versus \$0 in the corresponding period of 2015.

DEPRECIATION

During the three months ended September 30, 2016, the Company reclassified certain assets from office equipment to operations equipment resulting in a credit during the period. Depreciation is consistent with the prior year when the adjustment excluding the adjustment.

AMORTIZATION OF INTANGIBLE ASSETS

The Company has incurred \$2.8M of development expenses relating to the waste heat to power technology. The development expenses have been recorded to intangible assets. The Company has not amortized any of the waste heat to power development expenses as the technology has not reach the commercialization stage. The Company received \$0.6M of funding from Sustainable Development Technology Canada (SDTC) for the development of the waste heat to power technology relating the development expenditures already incurred. The funding was recorded to intangible assets, effectively reducing the development expenses relating to the waste heat to power technology.

FOREIGN EXCHANGE LOSSES

Foreign exchange gains and losses arise from the translation of net monetary assets or liabilities that were held in U.S. dollars. There was limited Canadian vs. US dollar exchange fluctuations during the third quarter of 2016. As result, the Company recorded a small-unrealized foreign exchange gain during the third quarter of 2016 versus an unrealized loss of \$0.3 million compared to the same period of 2015.

OTHER INCOME

The Company participates in Alberta Innovates Industry Associates Program, which provides funding to increase research expertise in Alberta-based companies. During the three months ended September 30, 2016, the funding from decreased compared to the same period in 2015 due to conclusion of one of the projects.

INCOME TAX

The income tax expense is result of profit recorded for the period. The effective tax rate as a percentage of revenue is higher than expected due to adjustment for non-deductible expenses.

CONSOLIDATED

Nine Months Ended September 30, (stated in CDN\$) (unaudited)	2016 (\$)	2015 (\$)	Change (%)
Revenue	4,595,653	5,785,255	(21)
Cost of Sales	3,019,415	3,432,111	(12)
Gross Profit ⁽¹⁾	1,576,238	2,353,144	(33)
Gross Profit (%)	34	41	(17)

(1) Refer to "Non-GAAP Measures" on pages 10 and 11 for further information.

REVENUE

Revenue for the nine months ended September 30, 2016 was \$4.6 million versus \$5.8 million in 2015, for a decrease of \$1.2 million. Incinerator sales were \$1.9 million versus \$2.8 million in the same period of 2015. Incinerator rentals were \$2.3 million versus \$2.2 million in the same period of 2015. Incinerator service revenue was \$0.4 million versus \$0.8 million in the same period of 2015.

Incinerator sales decreased 32% versus the same period of 2015. Questor continues to experience decline in the sales of the Company's incinerators as result of lower activity and constraints on capital spending in the North American oil and gas sector due to depressed oil and gas prices.

Revenue from incinerators rentals during the nine months ended September 30, 2016 increased 4% versus the same period of 2015. The increase was primarily due to two longer-term projects in the U.S., which commenced during Q3 2016. Depressed oil and gas prices continue to effect capital constraints, as result Questor is experiencing significant interest in incinerator rentals as an alternative to incinerator sales. The Company expects demand for incinerator rentals will continue to increase through the four quarter of 2016.

Incinerators service revenue decreased 50% versus the same period of 2015. Service revenue is driven commissioning activity for equipment sales and new rentals. The decrease in sales has resulted in lower commissioning activity.

GROSS PROFIT

Gross Profit for the nine months ended September 30, 2016 was \$1.6 million versus \$2.4 million in 2015, for a decrease of \$0.8 million. The \$0.8 million decrease in gross profit was the result of three factors; lower revenue, incremental operational costs at the waste heat to power fabrication division, new equipment mobilization costs, and incremental repairs and maintenance costs on the incinerator rental units.

The lower revenue for the nine months ended September 30, 2016, as discussed above, impacted gross profit by \$0.4 million versus the same period in 2015.

The Company's waste heat to power division commenced operations at its Florida fabrication facility during Q4, 2015. Questor incurred incremental expenses in the ClearPower division, adding the required operational resources at the Florida fabrication facility to advance the commercialization of the Waste Heat to Power technology. Questor incurred \$0.2 million of incremental operational costs for the nine months ended September 30, 2016 versus the same period in 2015.

Demand for large rental incinerators in Colorado improved significantly at the end of Q2. The increased demand resulted in Questor deploying additional units into the State. In order to serve this active and growing market, the Company large rental units were transported from Canada to Colorado at high cost.

Incinerator maintenance expenses for the nine months ended September 30, 2016 were higher than the same period in 2015. The Company schedules maintenance on the incinerator rental units when the units are not in service.

CORPORATE

Nine Months Ended September 30	2016	2015	Change
<i>(stated in CDN\$)</i>			
<i>(unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
Gross Profit ⁽¹⁾	1,576,238	2,353,144	(33)
<i>less corporate costs :</i>			
Administration expenses	2,367,502	1,832,088	29
Depreciation of property and equipment	31,866	26,353	21
Amortization of intangible assets	2,717	2,715	0
Net foreign exchange (gains)	121,028	(221,042)	>(100)
Other income	(190,904)	(95,271)	100
Profit (loss) before tax	(755,971)	808,301	>(100)
Income Tax	(66,840)	320,654	>(100)
Profit (loss) for the period	(689,131)	487,647	>(100)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 10 and 11 for further information.

ADMINISTRATIVE EXPENSES

For the nine months ended September 30, 2016, Questor incurred \$0.3 million of administrative and marketing expenses in the ClearPower division in order to commercialize the waste heat to power technology versus \$0 in the corresponding period of 2015. The Company is investing in administrative and marketing capacity positioning the Company to take advantage of demand for Questor's technology solutions.

For the nine months ended September 30, 2016, Questor incurred \$0.3 million of research expenses related to various technologies versus \$0.1 million in the corresponding period of 2015.

DEPRECIATION

Depreciation expense increase as result of assets acquired for the ClearPower division.

AMORTIZATION OF INTANGIBLE ASSETS

The Company has incurred \$2.8M of development expenses relating to the waste heat to power technology. The development expenses are recorded to intangible assets. The Company has not amortized any of the waste heat to power development expenses, as the technology has not reach the commercialization stage. The Company received \$0.6M of funding from Sustainable Development Technology Canada (SDTC) for the development of the waste heat to power technology relating the development expenditures already incurred. The funding is recorded to intangible assets, effectively reducing the development expenses relating to the waste heat to power technology.

FOREIGN EXCHANGE LOSSES

The Company recorded foreign exchange losses of \$0.1 million during the nine months ended September 30, 2016 versus a gain of \$0.2 million compared to the same period of 2015. Foreign exchange gains and losses arise from the translation of net monetary assets or liabilities that held in U.S. dollars. The foreign exchange losses incurred during the period was attributable to the translation of U.S. dollar-denominated monetary assets, which continued to depreciate against the Canadian dollar during the first nine months ended September 30, 2016.

OTHER INCOME

In the fourth quarter of 2015, the Company wrote-off \$0.7 million of receivables as result of two customers filling chapter 11 bankruptcies. The Company was able to recover \$0.2 million of the bad debt during the nine months ended September 30, 2016.

The Company participates in Alberta Innovates Industry Associates Program, which provides funding to increase research expertise in Alberta-based companies. During the nine months ended September 30, 2016, the funding decreased compared to the same period in 2015 due to conclusion of one of the projects.

INCOME TAX

The income tax recovery is result of losses recorded for the period. The effective tax rate is lower than expected primarily due to adjustment for non-deductible expenses.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<i>(stated in CDN\$)</i>				
<i>(unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Cash (used in) provided by :				
Operating activities	45,126	(495,352)	1,613,891	(261,361)
Financing activities	127,400	-	133,025	56,875
Investing activities	22,551	143,205	(1,007,209)	(1,019,923)
Increase (decrease) in cash and cash equivalents	195,077	(352,147)	739,707	(1,224,409)

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the three months ended September 30, 2016 was \$0.05 million versus \$0.5 million use of cash for the same period in 2015. For the nine months, ended September 30, 2016, cash provided by operating activities was \$1.6 million versus \$0.3 million use of cash for the same period in 2015. The increases are due to movements in working capital during the periods, primarily from accounts receivable and inventory.

FINANCING ACTIVITIES

The Company has financed its operating and capital requirements primarily through working capital and net cash generated from operating activities.

The Company has available a revolving demand operating loan to a maximum of \$560,000. The Company made no draws on its revolving demand operating loan during the three months ended September 30, 2016. The revolving demand operating loan bears interest at bank prime plus 1 percent per annum. The Company has provided a general security agreement and an assignment of insurance proceeds as security. Up to \$100,000 of this loan is available to secure the issue of letters of credit and/or letters of guarantee for suppliers. At September 30, 2016, the Company had no outstanding letters of guarantee on this facility.

The availability of this facility is also subject to the Company meeting certain financial covenants. As shown in the table below, at September 30, 2016, the Company was in compliance with the financial covenants associated with its credit facilities.

	Covenant	Actual
	2016	2016
As at September 30,		
Working capital ratio not to fall below	1.25x	10x
Debt service ratio must be greater than 1.25	4.50x	no debt
Debt to tangible net worth not to fall below	2.5x	no debt

The Company issued shares under the employee share option plan generating proceeds of 0.127 million for the three months ended September 30, versus \$0 the same period in 2015. For the nine months ended September 30, the Company issued shares under the employee share option plan generating proceeds of 0.13 million versus \$0.06 million the same period in 2015.

INVESTING ACTIVITIES

Questor's net cash used for investing activities was \$0.02 million for the three months ended September 30, 2016 and \$1.0 million for the nine months ended September 30, 2016. The Company invested \$1.0 million in expanding the US rental Fleet to meet impending demand.

In the prior year, the Company invested \$1.0 million in development expenses relating to the waste heat to power technology.

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

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The Company's September 30, 2016 and September 30, 2015 foreign exchange movements are attributable to the translation of U.S. dollar cash held by the Company.

CAPITAL RESOURCES

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

At September 30, 2016, the Company had cash of \$5.8 million as compared to \$5.1 million at December 31, 2015. The foreign currency composition of the cash balances is described in note 3 of the unaudited interim consolidated financial statements as at September 30, 2016.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. The Board of Directors has adopted and approved a share option plan for the directors, officers, consultants and key employees and affiliates of the Company. The share option plan was approved by the shareholders of the Company on June 15, 2001 and amended on September 15, 2016. Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. Each option entitles the option holder to purchase one share. As at September 30, 2016, there were 26,444,870 common shares issued and outstanding and 580,500 options issued and outstanding to purchase common shares.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
<i>(stated in '000's CDN\$ except per share amounts)</i>		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<i>(unaudited)</i>								
Financial								
Revenue	1,675	698	2,224	2,328	1,683	1,734	2,369	1,570
Gross profit (loss) ⁽¹⁾	794	(132)	914	999	505	649	1,200	720
Adjusted EBITDA ⁽¹⁾	226	(587)	194	(483)	109	341	910	263
Profit (loss) for the period	(96)	(597)	4	(506)	(90)	86	492	(149)
Per share – basic	(0.00)	(0.02)	0.00	(0.02)	(0.00)	0.00	0.02	0.00
Per share – diluted	(0.00)	(0.02)	0.00	(0.02)	(0.00)	0.00	0.02	0.00

(1) Refer to "Non-GAAP Measures" on pages 10 and 11 for further information.

OUTLOOK

The prolonged downturn in oil and gas prices continues to decrease the activity levels and capital spending in the oil and gas industry in 2016 and the Company remains focused managing through the current industry downturn. We believe the Canadian governments target to reduce methane emissions by 45% by 2025 will create an opportunity for the Company. Questor believes that the clean technology industry will become an integral component of resource development and the Company is well positioned given its focus on top-tier service, quality, logistics management and technology.

The recent global focus on emissions and the commitments in Paris at COP21 to reduce greenhouse gas emissions (GHG) over concern with climate change is also anticipated to have an impact on our clients. The governments of Canada and the United States recently issued a joint statement committing to reduce methane emissions from the oil and gas sector by 40-45 percent below 2012 levels by 2025. To implement this commitment, the Canadian federal government will introduce regulations to reduce methane emissions from the oil and gas sector to address venting and fugitive emissions. The Canadian requirements will cover emissions from the same sources subject to current and proposed U.S. regulatory requirements and will require reductions from some unique Canadian sources such as heavy oil. Implementation of a carbon tax is being contemplated both federally and provincially.

"In this challenging economic environment, our clients in Canada will be looking for technology solutions that are reliable, reduce operating costs, are cost effective, have a track record, and are proven. Cleanly combusting methane using Questor's technology solutions will reduce GHG emissions nine fold at a cost of less than \$3/t or \$0.02/mcf because the Global Warming Potential (GWP) of methane is 25 times that of CO2 over a hundred year period. Therefore venting or inefficient combustion of methane increases the greenhouse gases emitted," said Ms. Audrey Mascarenhas, Questor's President and CEO.

"In response to regulations and demand for our equipment in Colorado, we deployed our mobile rental units to the State and set up an operations facility to meet demand for regulated closed loop completions or green completions," she added. "The company is well positioned to create additional operating hubs with rental equipment in other locations as the opportunities arise" Questor is experiencing significant interest in incinerator rentals as an alternative to incinerator sales. This confirms to Management that it is vital to continue to market and grow the rental fleet as it is emerging as a more capital efficient option than purchasing. The Company expects demand for incinerator rentals will remain strong, and further increase into 2017. In addition, Questor anticipates incinerator sales in the US will increase to address combustion requirements at production facilities, after the rental flow back period. Strengthened regulations in the U.S. have caused an increased demand for Questor's technology. The United States Environmental Protection Agency (EPA) issued regulations to reduce harmful air pollution arising out of crude oil and natural gas industry activities with a particular focus on the efficient destruction of volatile organic compounds (VOC's) and hazardous air pollutants (HAP's) and has recently introduced methane emission reduction legislation. "Questor's has a unique ability to address air quality issues associated with tank and gas dehydration emissions in a cost effective way meeting the new standards. The superior performance of Questor's products and demonstrated operational success has led certain customers to specify the Company's equipment as a best practice," said Mrs. Audrey Mascarenhas. Questor will continue to monitor the regions where regulations are enforced or becoming enforceable and ensure that our sales efforts match appropriately.

While continuing to meet demand in Canada, the Company expects to continue to expand its presence in the United States. With stringent regulations imposed by the US Environmental Protection Agency (EPA) that requires performance testing for incinerators and other stacks that burn waste gas it is expected that the demand for better equipment will increase. Each State may have additional requirements that reflect some of the unique and specific needs that extend beyond the EPA's requirements.

The State of Colorado has taken a lead role in regulating quality, high-performance emission control equipment and industry in this area is now including Questor's style of combustion devices in their planning for wellbore flow back periods and their production life. For the past thirty months, Questor has been providing rental incineration to this market on a rental basis for a variety of clients. Questor has worked diligently at providing top level service and a high-quality product that industry has noticed and enquiries have increased substantially. Questor's commitment to opening an office in Brighton, Colorado as well as hiring a local technician have been positive steps and contributing factors to our recent successes and future growth.

Questor has recently received a purchase order for a number of incinerators for deployment in the State of Colorado during the fourth quarter of 2016. This sale for production facility equipment is significant as it allows Questor to provide emission control for wells right from the initial flow back period through the duration of their production life. Questor is proud to have been selected for both of these types of applications and will continue its pursuit of earning the confidence and business of existing clients as well as new customers.

With clear requirements and expectations from both the Federal and State agencies industry can now select equipment that serves their specific needs, including regulatory compliance, social acceptance operating performance, reliability and technical support. Questor will continue to commit capital to grow its revenue in states where producers are looking for different technologies to manage their waste gases.

The Alberta government has released the new Climate Change Policy. The policy opens opportunities for Questor to provide high efficiency combustion and heat to power technologies solutions. The opportunities range from methane emissions reductions to replacing coal powered electricity with electrical power generated from waste heat. Questor's solutions are ideal for this policy's targets, as they enable customers to reduce costs, comply with regulations and improve the profitability of their operations. Further policy changes require small emitters under 100,000 tonnes per year of CO_{2e} to aggregate their facilities. The aggregation may result in the same level of compliance required by large emitter (>100,000 tonnes per year of CO₂). Questor has developed solutions that have meaningful impact on emissions reductions for smaller facilities.

Questor's wholly owned subsidiary Clear Power Systems Inc. (CPS) has been aggressively marketing the waste heat to power technology. Questor has previously provided guidance that the waste heat to power first sales were anticipated to already have occurred. The projects are still active but the clients have not finalized decisions at this time. There is considerable global market interest in the ClearPower solution. We continue to make significant progress and gain confidence in our technology. CPS is pleased to announce the appointment of two new distributors; Inner Point Energy of Kirkwood (InnerPoint) and IHR Energy ApS of Norway (IHR). InnerPoint is a company that focuses on renewable waste to energy, gasifiers to produce syngas, and behind the fence power. CPS continues to pursue opportunities in the US and is also seeking other key marketing collaborations. Questor remains confident the technology will become a profitable division that offers an essential economic waste heat recovery to power solution. Questor continues to be identified as an innovator.

Alberta Innovates has recently approved two demonstration projects: water vaporization and glycol dehydration emissions. The equipment for the water vaporization project is currently being assembled in our Grande Prairie facility and we look to demonstrate this project in Q4 of this year. The glycol dehydration emissions project has been approved for \$475,000 and will demonstrate Questor's incineration technology as both a best in class control device for emissions as well as a replacement technology for condensing, liquid storage, trucking and deep-well disposal activities. There are approximately 4,000 operating glycol dehydrators in Alberta which could utilize this solution to eliminate benzene emissions, reduce operating costs and generate greenhouse gas emission reductions at a cost of less than \$1.40/t. The greenhouse gas emission reduction potential of this solution for Alberta is approximately 36Mt, contributing significantly to the targets set by the provincial and federal governments.

The Company remains committed to strategic and measurable technology diversification. Waste heat to power, water vaporization, and glycol dehydration emissions are all synergistic diversification of clean technology products and services that will support resource development over the long term. Recently, at the request and invitation of the Environment Agency in the United Kingdom Questor presented its suite of technologies to industry and government. Questor continues to explore areas where industry and government are seeking changes to traditional practices as a means to grow its reputation and business profile. We participated in the following this year;

- Questor was featured in Alberta Oil Magazine in an article titled "How a New Canadian-U.S. Agreement on Curbing Methane Opens the Market for Companies Like Questor Technology" in the May 30, 2016 issue. Link <http://www.albertaoilmagazine.com/?p=41732&print=1>.
- Panel member SDTC Leadership Summit - The Canadian Clean Tech Advantage in Ottawa on April 20th, 2016.
- Ontario Greenhouse Gas Innovation Initiative Business Roundtable in Toronto on May 9th, 2016.
- Panel member at the Global Petroleum Show "Low Carbon Innovation Forum - Methane Abatement Technologies" on June 8th, 2016.
- Panel member ISA "New Carbon Initiatives, Tax and the Implications" in Calgary on June 20th, 2016
- SME Cross-Sectorial Roundtable, Calgary Trade Commission on July 20th, 2016
- U of C Roundtable: Grow Companies & Accelerate Clean Growth on Aug 15th, 2016
- Calgary Chamber of Commerce "Energy, Innovation & the Economy for Tomorrow" Panel on Aug 30th, 2016
- Clean 50 Summit in Toronto on Sep 22nd, 2016
- Discussion with David Herle "The Politics of Climate Change" on Sep 22nd, 2016
- Panel: EFL Under Western Skies Conference, U of Mount Royal, Calgary, Sep 29th, 2016

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

NON-GAAP MEASURES

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>				
Profit for the period	(96,484)	(90,030)	(689,131)	487,647
Add back (deduct):				
Income taxes (recovery)	124,294	25,017	(66,840)	320,654
Other income	(6,983)	(54,703)	(190,904)	(95,271)
Net foreign exchange (gains) losses	(49,258)	252,232	121,028	(221,042)
Amortization of intangible assets	905	905	2,717	2,715
Depreciation of property and equipment	(1,608)	3,579	31,866	26,353
Administrative Expenses	823,625	367,852	2,367,502	1,832,088
Gross Profit	794,491	504,852	1,576,238	2,353,144

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>				
Profit (loss) for the period	(96,484)	(90,030)	(689,131)	487,647
Add back (deduct):				
Income taxes expense (recovery)	124,294	25,017	(66,840)	320,653
Interest (income)	(6,983)	(4,618)	(21,766)	(29,935)
Depreciation of property and equipment	168,823	131,815	449,670	375,685
Amortization of intangible assets	905	905	2,716	2,715
Stock Based Compensation	35,241	46,381	149,178	203,784
Adjusted EBITDA	225,796	109,470	(176,173)	1,360,549

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Questor has various contractual lease commitments related to three facilities located in Alberta and Florida as disclosed in the Company's 2015 annual consolidated financial statements.

LITIGATION

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three and nine months ended September 30, 2016 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Questor's significant accounting policies are described in note 2 to the annual consolidated financial statements.

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

DEPRECIATION

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

FINANCIAL INSTRUMENTS

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

GOODWILL

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets.

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. 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. The Company completes an annual assessment for impairment of property, plant and equipment impairment and determines if the recoverable amounts of its operating segments are greater than their carrying amounts to conclude if goodwill impairment is required.

INCOME TAXES

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

STOCKBASED COMPENSATION

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

FUNCTIONAL CURRENCY

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

CASHGENERATING UNITS

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

RELATED-PARTY TRANSACTIONS

The Company defines key management personnel as being the directors, Chief Executive Officer, Chief financial Officer, and Chief Operating Officer and other key employees. In addition to their salaries and directors' fees, the Company also provides non-cash benefits including participation in the Company's share option plan, as described in notes 6 and 7.

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.

CHANGES IN ACCOUNTING POLICIES

No new IFRS or interpretations from the International Financial Reporting Interpretations Committee came into effect for the year beginning on or after January 1, 2016 that had a material impact on the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted. The Company does not expect these standards to have a significant effect on its consolidated financial statements:

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

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

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

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

There have been no changes in the Company's internal control over financial reporting that occurred during the interim period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

BUSINESS RISKS

The business of Questor is subject to certain risks and uncertainties. Prior to making any investment decision regarding Questor, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form, which are specifically incorporated by reference herein.

ADVISORIES

FORWARD-LOOKING STATEMENTS

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

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to expected operating strategies and targets, capital expenditure programs, future financial resources, use of funds held in the Company's segregated bank account (as an equity cure or otherwise), anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, results of acquisitions, the impact of environmental regulations and economic reforms and sanctions on the Company's business, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events, trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth prospects including, without limitation, its international growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements.

These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the effect unconventional gas projects have had on supply and demand fundamentals for natural gas and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

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

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

ADDITIONAL INFORMATION

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