

**NOTE TO READER**

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, Questor Technology Inc. discloses that the Company's independent auditor has not reviewed the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022 and 2021.

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Stated in Canadian dollars, unaudited

	Notes	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$14,672,282	\$14,660,080
Investment	5	254,828	-
Trade, contract assets and other receivables		2,415,209	3,154,929
Inventory		1,637,903	1,183,890
Prepaid expenses and deposits		167,479	412,443
Current tax assets	8	7,710	153,339
Total current assets		19,155,411	19,564,681
<b>Non-current assets</b>			
Property and equipment	3	12,353,664	13,789,935
Right-of-use assets	6	435,411	587,541
Intangible assets	4	1,944,728	958,198
Deferred tax assets	8	315,638	147,500
Total non-current assets		15,049,441	15,483,174
<b>Total assets</b>		<b>\$34,204,852</b>	<b>\$35,047,855</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables, accrued liabilities and provisions		\$763,530	\$893,887
Onerous contract liabilities		367,699	78,834
Deferred revenue		710,480	1,989,289
Current portion of lease obligations	6	246,538	223,051
Current portion of repayable government grant	7	241,200	-
Current portion of deferred grant benefits	7	839,774	104,905
Total current liabilities		3,169,221	3,289,966
<b>Non-current liabilities</b>			
Lease obligations	6	227,629	400,544
Deferred grant benefits	7	92,529	158,336
Repayable government grant	7	542,892	716,928
Total non-current liabilities		863,050	1,275,808
Total liabilities		4,032,271	4,565,774
<b>Shareholders' equity</b>			
Issued capital		9,243,423	9,093,149
Contributed surplus		1,663,509	1,472,506
Retained earnings		19,153,675	19,989,517
Accumulated other comprehensive loss		111,974	(73,091)
Total shareholders' equity		30,172,581	30,482,081
<b>Total liabilities and shareholders' equity</b>		<b>\$34,204,852</b>	<b>\$35,047,855</b>

Commitments and contingencies 13

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Approved by the Board of Directors:

(signed) Stewart Hanlon

Stewart Hanlon, Director

(signed) Audrey Mascarenhas

Audrey Mascarenhas, Director

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

Stated in Canadian dollars, unaudited

For the	Notes	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Revenue	11	<b>\$1,673,929</b>	\$1,644,314	<b>\$6,715,865</b>	\$4,376,745
Cost of sales		<b>1,189,555</b>	1,606,016	<b>5,168,786</b>	4,429,699
Gross profit (loss)		<b>484,374</b>	38,298	<b>1,547,079</b>	(52,954)
Administration expenses		<b>796,377</b>	580,725	<b>2,399,714</b>	2,080,907
Research and development expenses	4	<b>13,564</b>	103,138	<b>304,530</b>	170,551
Share based payments		<b>122,031</b>	66,845	<b>341,277</b>	286,327
Depreciation expenses		<b>32,295</b>	33,854	<b>97,923</b>	101,378
Amortization of intangible assets		<b>35,031</b>	71,521	<b>105,093</b>	214,956
Gains on sale of property and equipment		<b>(16,656)</b>	(17,412)	<b>(16,656)</b>	(17,412)
Net foreign exchange gains		<b>(239,158)</b>	(194,804)	<b>(313,514)</b>	(43,859)
Other expenses (income)		<b>(29,956)</b>	131,377	<b>(118,504)</b>	211,408
<b>Loss before tax</b>		<b>(229,154)</b>	(736,946)	<b>(1,252,784)</b>	(3,057,210)
Income tax recovery	8	<b>(216,843)</b>	(283,202)	<b>(416,942)</b>	(844,365)
<b>Loss for the period</b>		<b>\$(12,311)</b>	\$(453,744)	<b>\$(835,842)</b>	\$(2,212,845)
<b>Other comprehensive income (loss)</b>					
Items that may be reclassified to profit and loss in subsequent periods:					
Exchange losses (gains) on translating foreign operations		<b>(156,778)</b>	(12,377)	<b>(185,065)</b>	13,741
<b>Total comprehensive income (loss)</b>		<b>\$144,467</b>	\$(441,367)	<b>\$(650,777)</b>	\$(2,226,586)
<b>Loss per share</b>					
Basic	9	<b>\$(0.00)</b>	\$(0.02)	<b>\$(0.03)</b>	\$(0.08)
Diluted		<b>\$(0.00)</b>	\$(0.02)	<b>\$(0.03)</b>	\$(0.08)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Stated in Canadian dollars, unaudited

	Notes	Issued capital	Contributed Surplus	Retained Earnings	Cumulative Translation Adjustment	Total Shareholder's Equity
<b>Balance at December 31, 2021</b>		<b>\$9,093,149</b>	<b>\$1,472,506</b>	<b>\$19,989,517</b>	<b>\$(73,091)</b>	<b>\$30,482,081</b>
Loss for the period		-	-	(835,842)	-	(835,842)
Share-based payments	10	-	341,277	-	-	341,277
Stock options exercised	10	-	-	-	-	-
Restricted share units settled		84,773	(84,773)	-	-	-
Performance share units settled		65,501	(65,501)	-	-	-
Translation of foreign operations		-	-	-	185,065	185,065
<b>Balance at September 30, 2022</b>		<b>\$9,243,423</b>	<b>\$1,663,509</b>	<b>\$19,153,675</b>	<b>\$111,974</b>	<b>\$30,172,581</b>
Balance at December 31, 2020		\$8,630,146	\$1,416,169	\$23,977,902	\$(35,117)	\$33,989,100
Loss for the period		-	-	(2,212,845)	-	(2,212,845)
Share-based payments	10	-	286,327	-	-	286,327
Stock options exercised	10	55,022	(22,522)	-	-	32,500
Restricted share units settled		-	-	-	-	-
Performance share units settled		-	-	-	-	-
Translation of foreign operations		-	-	-	(13,741)	(13,741)
Balance at September 30, 2021		\$8,685,168	\$1,679,974	\$21,765,057	\$(48,858)	\$32,081,341

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

Stated in Canadian dollars, unaudited

For the	Notes	Three months ended September 30, <b>2022</b>	2021	Nine months ended September 30, <b>2022</b>	2021
<b>Cash flows from (used in) operating activities</b>					
Loss for the period		<b>\$(12,311)</b>	\$(453,744)	<b>\$(835,842)</b>	\$(2,212,845)
Adjustments for:					
Income tax recovery		<b>(216,843)</b>	(283,202)	<b>(416,942)</b>	(844,365)
Depreciation of property and equipment and right-of-use assets	3	<b>557,462</b>	552,467	<b>1,733,961</b>	1,648,025
Amortization of intangible assets	4	<b>35,031</b>	71,521	<b>105,093</b>	214,956
Lease interest	6	<b>6,175</b>	8,724	<b>20,505</b>	20,527
Share-based payments	10	<b>122,031</b>	66,845	<b>341,277</b>	286,327
Gains on sale of property		<b>(16,656)</b>	(17,681)	<b>(16,656)</b>	(17,681)
Movements in non-cash working capital		<b>(235,420)</b>	137,840	<b>(640,071)</b>	206,950
Income tax refund (paid)		<b>372,890</b>	181,354	<b>412,638</b>	182,328
Net cash provided by (used in) operating activities		<b>612,359</b>	264,124	<b>703,963</b>	(515,778)
<b>Cash used in investing activities</b>					
Payments for property and equipment		<b>(86,823)</b>	(26,357)	<b>(109,477)</b>	(35,770)
Payments for intangible assets		<b>(557,742)</b>	(408,768)	<b>(1,091,623)</b>	(530,228)
Payments for investments		-	-	<b>(251,544)</b>	-
Proceeds of disposition of property and equipment		-	25,500	-	25,500
Net cash used in investing activities		<b>(644,565)</b>	(409,625)	<b>(1,452,644)</b>	(540,498)
<b>Cash from financing activities</b>					
Proceeds from exercise of stock options	10	-	-	-	32,500
Receipt of government grant	7	<b>100,000</b>	-	<b>901,209</b>	120,000
Lease obligations payments	6	<b>(64,867)</b>	(62,055)	<b>(188,842)</b>	(149,318)
Net cash provided by financing activities		<b>35,133</b>	(62,055)	<b>712,368</b>	3,182
<b>Net increase (decrease) in cash</b>					
		<b>2,927</b>	(207,556)	<b>(36,313)</b>	(1,053,094)
Cash at beginning of the period		<b>14,630,646</b>	15,434,727	<b>14,660,080</b>	16,307,029
Effects of exchange rate changes on the balance of cash held in foreign currencies		<b>38,709</b>	40,838	<b>48,515</b>	14,074
<b>Cash at end of the period</b>		<b>\$14,672,282</b>	\$15,268,009	<b>\$14,672,282</b>	\$15,268,009

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

## **1. DESCRIPTION OF BUSINESS**

Questor Technology Inc., incorporated in Canada under the Business Companies Act (Alberta) is an environmental emissions reduction technology company founded in 1994, with global operations. The Company is focused on clean air technologies that safely and cost effectively improve air quality, support energy efficiency and greenhouse gas emission reductions. The Company designs, manufactures and services high efficiency clean combustion systems that destroy harmful pollutants, including Methane, Hydrogen Sulfide gas, Volatile Organic Hydrocarbons, Hazardous Air Pollutants and BTEX (Benzene, Toluene, Ethylbenzene and Xylene) gases within waste gas streams at 99.99 percent efficiency. This enables its clients to meet emission regulations, reduce greenhouse gas emissions, address community concerns and improve safety at industrial sites.

The Company also has proprietary heat to power generation technology and is currently targeting new markets including landfill biogas, syngas, waste engine exhaust, geothermal and solar, cement plant waste heat in addition to a wide variety of oil and gas projects. The Company is also doing research and development on data solutions to deliver an integrated system that amalgamates all of the emission detection data available and demonstrates how Questor's clean combustion and power generation technologies can be used to help clients achieve zero emission targets.

The Company's common shares are traded on the TSX Venture Exchange under the symbol "QST". The address of the Company's corporate and registered office is 2240, 140 -4 Avenue S.W. Calgary, Alberta, Canada, T2P 3N3.

## **2. BASIS OF PREPARATION**

### **(a) Statement of compliance**

These unaudited interim condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021. All financial information is reported in Canadian dollars, unless otherwise noted.

These financial statements were authorized for issue by the Company's Board of Directors on November 28, 2022.

### **(b) Basis of measurement**

These financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Certain comparative figures in the condensed consolidated notes to the financial statements have been reclassified to conform to the current year's presentation.

### **(c) Accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements as of and for the year ended December 31, 2021.

There are standards and interpretations that are issued, but not yet effective, however the Company does not expect them to have any significant impact on the Company's financial statements in the future periods.

### **(d) Significant accounting estimates and judgements**

The preparation of the interim condensed consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported assets, liabilities, revenues, expenses and the disclosure of contingencies. Actual results may differ significantly from these estimates. A description of the significant accounting judgements, estimates and assumptions are set out in annual audited financial statements for the year ended December 31, 2021.

### 3. PROPERTY AND EQUIPMENT

Cost	Rental incinerators and trailers	Light vehicles, tools & equipment	Office equipment & leasehold improvements	Total
Balance at December 31, 2021	\$21,862,198	\$1,272,587	\$335,171	\$23,469,956
<b>Additions</b>	<b>86,823</b>	<b>21,306</b>	<b>1,345</b>	<b>109,474</b>
Transfers	-	-	-	-
Disposals	-	26,912	-	26,912
Foreign currency translation	-	13,232	2,097	15,329
<b>Balance at September 30, 2022</b>	<b>\$21,949,021</b>	<b>\$1,334,037</b>	<b>\$338,613</b>	<b>\$23,621,671</b>
<b>Accumulated depreciation</b>				
Balance at December 31, 2021	\$8,687,657	\$779,951	\$212,413	\$9,680,021
<b>Depreciation charges included in:</b>				
Cost of sales	1,409,413	129,530	6,406	1,545,349
Depreciation expense	-	-	20,013	20,013
Transfers	-	-	-	-
Disposals	-	(24,065)	-	(24,065)
Foreign currency translation	-	45,195	1,494	46,689
<b>Balance at September 30, 2022</b>	<b>\$10,097,070</b>	<b>\$930,611</b>	<b>\$240,326</b>	<b>\$11,268,007</b>
<b>Carrying amounts</b>				
Balance at December 31, 2021	\$13,174,541	\$492,636	\$122,758	\$13,789,935
<b>Balance at September 30, 2022</b>	<b>\$11,851,954</b>	<b>\$403,423</b>	<b>\$98,287</b>	<b>\$12,353,664</b>

### 4. INTANGIBLE ASSETS

Cost	Heat to power development	Software and data system	Patents and other	Total
Balance at December 31, 2021	\$2,544,547	\$238,010	\$359,034	\$3,141,591
<b>Additions</b>	<b>1,090,314</b>	-	<b>\$1,309</b>	<b>1,091,623</b>
<b>Balance at September 30, 2022</b>	<b>\$3,634,861</b>	<b>\$238,010</b>	<b>\$360,343</b>	<b>\$4,233,214</b>
<b>Accumulated Amortization</b>				
Balance at December 31, 2021	\$1,811,166	\$19,834	\$352,393	\$2,183,393
<b>Amortization</b>	<b>43,316</b>	<b>59,502</b>	<b>2,275</b>	<b>105,093</b>
<b>Balance at September 30, 2022</b>	<b>\$1,854,482</b>	<b>\$79,336</b>	<b>\$354,668</b>	<b>\$2,288,486</b>
<b>Carrying Amounts</b>				
Balance at December 31, 2021	\$733,381	\$218,176	\$6,641	\$958,198
<b>Balance at September 30, 2022</b>	<b>\$1,780,379</b>	<b>\$158,674</b>	<b>\$5,675</b>	<b>\$1,944,728</b>

During nine months of 2022, the Company capitalized costs of \$1,090,314 (\$510,674 in the nine months of 2021) associated with its waste heat to power project that is being partially funded by Sustainable Development Technology Canada ("SDTC") (see note 7).

The Company has also expensed certain administrative costs relating to this waste heat to power project and other research and development project costs that do not yet meet the criteria for capitalization in the amount of \$304,530 in the nine months of 2022 (2021 - \$170,551). During the period, the Company received \$100,000 of funding through its partnership with SAIT related to the integrated emissions data measurement and reporting platform project.

## 5. INVESTMENT AND BORROWING FACILITIES

The Company cancelled its \$1 million operating loan and \$5 million capital loan facilities and the bank released its general security agreement over the Company's assets. The Company retained the \$100,000 letter of credit guarantee facility for use with suppliers and its corporate credit card program. The Company put CDN\$200,000 and USD\$40,000 of cash into one-year redeemable term deposit as general security for these remaining facilities. None of the remaining facilities are subject to standby fees and there is no specified facility expiration or renewal date.

## 6. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

The Company's leasing activities comprise buildings and yard leases. As at September 30, 2022, the carrying amounts of the Company's recognized right-of-use assets are \$435,411 (December 31, 2021- \$587,541). The following table sets out the movement in the lease obligations:

<b>Lease Obligations</b>	
Balance at December 31, 2021	\$623,595
<b>Additions</b>	-
<b>Interest</b>	<b>20,505</b>
<b>Lease payments</b>	<b>(188,842)</b>
<b>Foreign currency translation</b>	<b>18,909</b>
<b>Balance at September 30, 2022</b>	<b>\$474,167</b>
Lease obligations due within one year	\$246,538
Lease obligations due beyond one year	227,629
	<b>\$474,167</b>

Subsequent to the quarter, the Company entered into a two-year facility lease agreement in Grande Prairie.

## 7. GOVERNMENT GRANTS AND DEFERRED GRANT BENEFITS

### (a) Western Economic Diversification Grant

Balance at December 31, 2021	\$716,927
<b>Additions</b>	-
<b>Accretion</b>	<b>67,165</b>
<b>Repayments</b>	-
<b>Balance at September 30, 2022</b>	<b>\$784,092</b>
Current portion	241,200
Long-term portion	542,892
	<b>\$784,092</b>

In prior years, the Company was provided \$966,186 of assistance to help fund its operating costs. The total amount of the repayable government assistance was recognized at fair value using an interest rate of 12%, which was considered a market rate of interest for similar unsecured loans at the date of inception. The Company is required to repay the contribution in 35 consecutive monthly installments of \$26,800, commencing January 1, 2023 and one final installment of \$28,187 due December 31, 2025.



**(b) Deferred grant benefits**

	Alberta Innovates	Sustainable Development Technology Canada	Western Economic Diversification	Total
Balance at December 31, 2021	\$13,982	\$ -	\$249,259	\$263,241
<b>Additions Recognized</b>	<b>-</b>	<b>750,209</b>	<b>-</b>	<b>750,209</b>
	<b>(13,982)</b>	<b>-</b>	<b>(67,165)</b>	<b>(81,147)</b>
<b>Balance at September 30, 2022</b>	<b>\$ -</b>	<b>\$750,209</b>	<b>\$182,094</b>	<b>\$932,303</b>
Current portion	-	750,209	89,565	839,774
Long-term portion	-	-	92,529	92,529
	<b>\$ -</b>	<b>\$750,209</b>	<b>\$182,094</b>	<b>\$932,303</b>

**8. TAXES**

Income tax expense (recovery) is recognized based on Management's best estimate of the weighted average annual effective income tax rate expected for the full financial year. During the nine months ended September 30, 2022, the Company carried back tax losses and received cash in the amount of \$412,638. During the three months ended September 30, 2022, the Company also recorded investment tax credits relating to its waste heat to power project.

**9. ISSUED CAPITAL**

For the	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Loss for the period</b>	<b>\$(12,311)</b>	\$(453,744)	<b>\$(835,842)</b>	\$(2,212,845)
<b>Weighted average number of common shares, basic and diluted</b>	<b>27,767,561</b>	27,460,120	<b>27,778,903</b>	27,447,025
<b>Basic and diluted loss per share</b>	<b>\$(0.00)</b>	\$(0.02)	<b>\$(0.03)</b>	\$(0.08)

The Company is authorized to issue an unlimited number of common shares. As of September 30, 2022 the Company has 27,853,100 shares issued and outstanding (December 31, 2021 - 27,761,858).

The calculation of diluted loss per share for the periods ended September 30, 2022 and September 30, 2021 excludes the effects of Stock Options, PSU's, and RSU's, as their impacts would be anti-dilutive.

**10. SHARE-BASED PAYMENTS**

The Company has a stock option plan, restricted share unit plan, performance share unit plan and deferred share unit plan for the directors, officers, consultants and key employees and affiliates of the Company. Total share-based payment costs associated with these plans for the nine months ended September 30, 2022 were \$341,277 (2021 - \$286,327).

**(a) Stock options**

The following table provides a continuity of the Company's stock option plan in units.

	Number	Exercise price <sup>(1)</sup>
Balance at December 31, 2021	<b>317,625</b>	<b>3.28</b>
<b>Granted</b>	-	-
<b>Forfeited</b>	<b>(18,750)</b>	<b>3.52</b>
<b>Exercised</b>	-	-
<b>Expired</b>	-	-
<b>Balance at September 30, 2022</b>	<b>298,875</b>	<b>3.27</b>
<b>Exercisable at September 30, 2022</b>	<b>252,875</b>	<b>3.21</b>

<sup>(1)</sup> Weighted average

**(b) Performance Share Unit, Restricted Share Unit and Deferred Share Unit Plans**

The following table provides a continuity of the Company's PSU, RSU and DSU plans in units.

	PSU's	RSU's	DSU's
Balance at December 31, 2021	173,453	362,735	-
<b>Granted</b>	<b>127,500</b>	<b>157,500</b>	<b>16,876</b>
<b>Forfeited</b>	-	<b>(35,345)</b>	-
<b>Settled</b>	<b>(57,818)</b>	<b>(62,333)</b>	-
<b>Balance at September 30, 2022</b>	<b>243,135</b>	<b>422,557</b>	<b>16,876</b>

**11. REVENUE BY GEOGRAPHIC SEGMENT**

The Company reports its financial results as one reportable segment as this is how the financial information is reviewed by the chief decision makers of the Company. The following tables provides information regarding revenue on a geographic basis as determined by the location of the customer or third party and the location of the Company's non-current assets on a geographic basis.

For the three months ended September 30, 2022	Canada	United States	Consolidated
<b>Equipment sales</b>	<b>\$809,102</b>	<b>\$-</b>	<b>\$809,102</b>
<b>Equipment rentals</b>	-	<b>661,676</b>	<b>661,676</b>
<b>Equipment service &amp; repairs</b>	<b>76,594</b>	<b>126,557</b>	<b>203,151</b>
	<b>\$885,696</b>	<b>\$788,233</b>	<b>\$1,673,929</b>

For the three months ended September 30, 2021	Canada	United States	Consolidated
Equipment sales	\$369,691	\$370,333	\$740,024
Equipment rentals	-	681,511	681,511
Equipment service & repairs	47,004	175,775	222,779
	\$416,695	\$1,227,619	\$1,644,314

For the nine months ended September 30, 2022	Canada	United States	Consolidated
<b>Equipment sales</b>	<b>\$4,252,817</b>	<b>\$8,569</b>	<b>\$4,261,386</b>
<b>Equipment rentals</b>	-	<b>1,926,643</b>	<b>1,926,643</b>
<b>Equipment service &amp; repairs</b>	<b>133,433</b>	<b>394,403</b>	<b>527,836</b>
	<b>\$4,386,250</b>	<b>\$2,329,615</b>	<b>\$6,715,865</b>

For the nine months ended September 30, 2021	Canada	United States	Consolidated
Equipment sales	\$1,812,854	\$461,766	\$2,274,620
Equipment rentals	-	1,613,938	1,613,938
Equipment service & repairs	145,768	342,419	488,187
	\$1,958,622	\$2,418,123	\$4,376,745

Intangible assets	
As at	<b>September 30, 2022</b>
Canada	<b>\$1,944,728</b>
United States	-
	<b>\$1,944,728</b>

Property and equipment and right-of-use assets	
As at	<b>September 30, 2022</b>
Canada	<b>\$748,328</b>
United States	<b>12,040,747</b>
	<b>\$12,789,075</b>

## **12. FINANCIAL RISK MANAGEMENT**

The Company's financial instruments consist of cash and cash equivalents, investments, trade, contract assets and other receivables, trade payables, accrued liabilities and provisions, and a repayable government grant. The Company did not hold any derivative financial instruments during the period.

### **Fair values**

The carrying amounts of the current financial assets and current financial liabilities recognized in the Company's consolidated financial statements at the end of each reporting period approximate their fair value due to their short period to maturity except for the repayable government grant. Judgment is required in interpreting market data to develop the estimates of fair value. These estimates are not necessarily indicative of the amounts we could realize in current markets. The fair value of the government grant is determined based on market-based prices and is classified as Level 2 on the fair value hierarchy.

### **Credit risk**

Credit risk arises from the potential that one or more counterparties fail to meet their obligations. A substantial amount of the Company's trade and contract receivables, which relate to the Company's revenues, are with customers in the oil and gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. Payment terms with customers vary by contract. Standard payment terms are 30 days from invoice date.

At September 30, 2022, the Company's receivables greater than 90 days includes an amount of \$895,627 related to commissioning three waste heat to power facilities in Mexico. This receivable is secured by letters of credit that expire on December 22, 2022. The Company can exercise them as soon as the associated units are commissioned. This is expected to occur prior to the expiry date.

The Company is also exposed to the risk of dependence on a few customers for a significant amount of the Company's revenue. The Company notes that equipment sales revenue which comprises a significant portion of total revenue, generally relates to a small number of customers each year but these customers change each year. The Company bills and collects equipment revenue throughout the contract which reduces collection risk. There is a concentration of rental and related service repair revenue. For the three and nine months ended September 30, 2022, there were two customers who comprised 81 percent and 89 percent of total rental, service and repair revenue respectively (For the three and nine months ended September 30, 2021 – 56 percent and 51 percent respectively).

### **Liquidity risk**

The Company has positive net working capital as of September 30, 2022 of \$15,986,190 (December 31, 2021 - \$16,274,715).

### **Foreign currency risk**

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in US dollars. The impact of this exposure is recorded as a cumulative translation adjustment in other comprehensive income. The net foreign exchange impact is due to foreign exchange rate fluctuations for the three and nine months ended September 30, 2022 compared to the same period in 2021.

The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on sales and purchases of products and services from vendors primarily in the United States which resulted in a foreign exchange gain of \$239,158 and \$313,514 for the three and nine months ended September 30, 2022 (three months and nine months ended September 30, 2021- gain of \$194,804 and \$43,859). The Company mitigates some of the foreign currency risk by keeping a US dollar bank account to receive US payments and fund US dollar purchases.

## **13. COMMITMENTS AND CONTINGENCIES**

The Company has lease commitments for premises and storage facilities as disclosed in note 22 of the 2021 annual financial statements. As at September 30, 2022, the Company has entered into purchase commitments for materials required to build the 1500kw prototype unit for its waste heat to power research and development project in the amount of \$1,138,452.

The Company filed a claim against three former employees and their company, Emission Rx. The three former employees resigned from the Company over a period of two months, in 2018. After the former employees resigned, the Company learned that the former employees had incorporated Emission Rx on November 14, 2017, several months prior to their departures, and had developed a low-pressure burner technology which they then marketed and sold through Emission Rx. The Company sought injunctive relief to prevent Emission Rx competing in the market against the Company and infringing the Company's intellectual property.

The Company asserts ownership of Emission Rx's LP Burner Technology, through: (i) the terms of the employment agreements signed by the three former employees; or (ii) the application of the common law. The court declined to issue the injunction in 2019, however ordered the defendants to deliver all remaining confidential information belonging to the Company. 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 contractual duties of confidentiality. The Company applied to the court to order additional disclosure of evidence from the Defendants, which the court granted in September 2022. The Defendants have since provided further disclosure.

Notwithstanding the uncertainty as to the outcome, based on the information currently available, the Company does not believe the outcome of this litigation will have a material adverse effect on its consolidated financial position.

#### **14. RELATED PARTY TRANSACTIONS**

The Company defines key management personnel as being the directors, Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. In addition to their salaries, benefits and directors' fees, the Company also provides non-cash benefits including participation in the Company's stock option, RSU, PSU and DSU plans. There were no other related party transactions during the three and nine months ended September 30, 2022.