

## **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, 2018 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 and nine months ended September 30, 2018 and 2017. It should be read in conjunction with the interim consolidated financial statements for the three and nine months ended September 30 2018 as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2017.*

*Additional information relating to Questor can be found on the Company's website at [www.questortech.com](http://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](http://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 improve air quality, support energy efficiency and reduce greenhouse gas emissions.

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, solar and 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'.

**FINANCIAL OVERVIEW – THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 VERSUS 2017**

**CONSOLIDATED HIGHLIGHTS**

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>				
Revenue	<b>5,761,465</b>	5,686,227	<b>17,491,620</b>	12,645,976
Gross Profit <sup>(1)</sup>	<b>3,880,343</b>	3,208,582	<b>11,005,699</b>	7,033,076
Adjusted EBITDA <sup>(1)</sup>	<b>3,205,194</b>	2,247,918	<b>9,743,149</b>	4,694,400
Earnings for the year	<b>1,746,243</b>	1,425,433	<b>5,624,183</b>	2,800,626
Per share — basic	<b>0.07</b>	0.06	<b>0.21</b>	0.11
Per share — diluted	<b>0.07</b>	0.05	<b>0.21</b>	0.11
As at	<b>September 30, 2018</b>		December 31, 2017	
Working capital, end of period	<b>11,050,804</b>		6,854,250	
Total assets, end of period	<b>27,347,447</b>		23,538,004	
Total equity, end of period	<b>24,726,729</b>		18,779,219	

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

**THIRD QUARTER 2018 OVERVIEW**

- Consolidated revenue was consistent versus the same period of 2017 :
  - Revenue from incinerator rentals during the three months ended September 30, 2018 increased \$1.1 million versus the same period of 2017;
  - Service revenue during the three months ended September 30, 2018 also increased \$0.4 million versus the same period of 2017;
  - Incinerator sales during the three months ended September 30, 2018 decreased \$1.4 million versus the same period of 2017. During the quarter the Company was notified that the remaining portion of a \$4.5 equipment million order was cancelled. The Company delivered 75% of the order prior to cancellation.
  - Demand for rental units during the quarter was somewhat impacted by uncertainty associated with Colorado’s Proposition 112 (Prop 112). The Company estimates the impact to rental revenue was approximately 5%. Prop 112 was assessed to have a materially unfavorable effect on the State’s oil drilling activity and economy. During the period of uncertainty, Operators prioritized drilling over completions and flow-back programs resulting in slightly lower demand for flow-back units and unfavorably affecting incinerator rental revenue. The residents of the State voted on November 6<sup>th</sup>, the result was 57% of the votes were cast in favor of trouncing Prop 112. Colorado oil and gas companies landed a significant victory election night as voters rejected sweeping restrictions for the industry. The victory supports continued high activity levels in the basin and sustained demand for the Company’s equipment.
  
- Gross profit increased \$0.7 million as a result of shift in sales mix, resulting in higher margin rental revenue offsetting lower margin sales revenue of higher sales and service revenue.
  
- Adjusted EBITDA increased \$1.0 million as a result of increased gross profit and continued cost control of administrative expenses.
  
- On February 27, 2018, the Company announced a capital budget of \$10 million to be used to expand its US Operations. Due to the uncertainty of Prop 112 and potential impact to equipment requirements, the Company decided to curtail Capital expenditures during the quarter. At September 30, 2018, the Company has invested a total of \$4.0 million (40% of the \$10 capital million budget). The Company has resumed Capital investment in Q4 and expects to invest an additional \$1.0 million in rental equipment by the end of the year.

## CONSOLIDATED

Three Months Ended September 30 <i>(stated in CDN\$)</i> <i>(unaudited)</i>	2018 <i>(\$)</i>	2017 <i>(\$)</i>	Change <i>(%)</i>
Revenue	<b>5,761,465</b>	5,686,227	1
Cost of Sales	<b>1,881,122</b>	2,477,645	(24)
Gross Profit <sup>(1)</sup>	<b>3,880,343</b>	3,208,582	21
Gross Profit (%)	<b>67</b>	56	20

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

## REVENUE

Revenue for the three months ended September 30, 2018 was \$5.8 million versus \$5.7 million in 2017, for an increase of \$0.1 million. The following is a breakdown of revenue by the major service lines comprised of rentals, sales and services. Incinerator rentals were \$4.3 million versus \$3.2 million in the same period of 2017. Incinerator sales were \$0.8 million versus \$2.2 million in the same period of 2017. Incinerator service revenue was \$0.7 million versus \$0.3 million in the same period of 2017.

### Rentals

Revenue from incinerator rentals during the three months ended September 30, 2018 increased 35% versus the same period of 2017. The increase is the result of capital invested expanding the rental fleet, offset partially by lower rental utilization during the three months ended September 30, 2018 versus the same period of 2017.

Questor has invested \$6.0 million in rental equipment since September 30, 2017. All of the rental expansion equipment has been mobilized to the United States.

Rental utilization during the three months ended September 30, 2018 decreased 24% versus the same period of 2017. Demand for rental units during the quarter was slightly impacted by uncertainty and regulatory overhang associated with Proposition 112. Operators prioritized drilling over completions and flow-back programs during the quarter resulting in lower demand for flow-back units.

### Sales

Incinerator sales during the three months ended September 30, 2018 decreased \$1.4 million versus the same period of 2017. Questor received a \$4.5 million order for hybrid units to be delivered during 2018; the Company received a similar order in 2017. Approximately 18% of the order was delivered in the third quarter of 2018 versus 50% for the same period of 2017.

During the quarter the Company was notified the balance of the \$4.5 million order was cancelled. The Company delivered 75% of the order prior to cancellation and has been paid for these units. The Company is not expecting to carry any additional inventory relating to the cancelled order.

### Service

Incinerator service revenue increased during the third quarter of 2018 versus the same period of 2017 due to increased rental activity, higher mix of part sales related to service work and increased transportation revenue. Transportation revenues have grown as a result of investment in additional proprietary detachable trailers.

## GROSS PROFIT

Gross Profit for the three months ended September 30, 2018 was \$3.9 million versus \$3.2 million in 2017, for an increase of 21 %. The increase in gross profit was the result of shift in sales mix, resulting in higher margin rental revenue offsetting lower margin sales revenue.

## CORPORATE

Three Months Ended September 30 (stated in CDN\$) (unaudited)	2018 (\$)	2017 (\$)	Change (%)
Gross Profit <sup>(1)</sup>	<b>3,880,343</b>	3,208,582	21
<i>less corporate costs :</i>			
Administration expenses	<b>980,649</b>	930,861	5
Amortization of intangible assets	<b>89,552</b>	1,811	>100
Net foreign exchange losses	<b>147,887</b>	327,443	(55)
Other (income) expense	<b>64,613</b>	(340)	>(100)
Profit before tax	<b>2,597,642</b>	1,948,807	33
Income Tax	<b>851,399</b>	523,374	63
Profit for the period	<b>1,746,243</b>	1,425,433	23

<sup>(1)</sup> Refer to "Non-GAAP Measures" on page 11 for further information.

## ADMINISTRATIVE EXPENSES

Administrative expenses during the three months ended September 30, 2018 increased 5% versus the same period of 2017. Both headcount and administrative facility infrastructure cost is consistent with the prior year.

The majority of the increase during the quarter is the result of incentive compensation. Stock based compensation expense increased as result of additional grants awarded in December 2017.

The most significant change to administrative infrastructure year over year is related to Questor's continued expansion into the United States. This has resulted in an overall increase in corporate costs primarily related to tax filing and advisory services. The fees related to these services will vary from quarter to quarter but will trend higher year over year.

## AMORTIZATION OF INTANGIBLE ASSETS

The Company has incurred \$2.4 million of development expenses relating to the waste heat to power technology. The development expenses have been recorded to intangible assets. The Company received \$0.6 million of funding from Sustainable Development Technology Canada (SDTC) for the development of the waste heat to power technology relating to the development expenditures already incurred. The funding was recorded to intangible assets, effectively reducing the development expenses relating to the waste heat to power technology to a net \$1.8 million. The Company has determined the waste heat to power technology has reached the commercialization stage and recorded an amortization charge of \$0.1 million during the quarter versus \$nil in the same period of 2017.

## FOREIGN EXCHANGE LOSSES

The Company recorded a \$0.1 million foreign exchange loss during the third quarter 2018 versus a loss of \$0.3 million in the same period of 2017. 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 quarter are attributable to the translation of U.S. dollar-denominated monetary assets which depreciated 1.6% against the Canadian dollar.

## INCOME TAX

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

## CONSOLIDATED

Nine Months Ended September 30 <i>(stated in CDN\$)</i> <i>(unaudited)</i>	2018 <i>(\$)</i>	2017 <i>(\$)</i>	Change <i>(%)</i>
Revenue	<b>17,491,620</b>	12,645,976	38
Cost of Sales	<b>6,485,921</b>	5,612,900	16
Gross Profit <sup>(1)</sup>	<b>11,005,699</b>	7,033,076	56
Gross Profit (%)	<b>63</b>	56	13

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

## REVENUE

Revenue for the nine months ended September 30, 2018 was \$17.5 million versus \$12.6 million in 2017, for an increase of \$4.9 million. The following is a breakdown of revenue by the major service lines comprised of rentals, sales and services. Incinerator rentals were \$12.0 million versus \$6.8 million in the same period of 2017. Incinerator sales were \$3.4 million versus \$4.9 million in the same period of 2017. Incinerator service revenue was \$2.1 million versus \$0.9 million in the same period of 2017.

### Rentals

Revenue from incinerators rentals during the nine months ended September 30, 2018 increased 76% versus the same period of 2017. The increase is the result of capital invested expanding the rental fleet.

Questor has invested \$6.0 million in rental equipment since September 30, 2017. The investment increased the number of rental units by over 60%, and added a new rental revenue stream with detachable stack tops. All of the rental expansion equipment has been mobilized to the United States.

### Sales

Incinerator sales during the nine months ended September 30, 2018 decreased \$1.5 million versus the same period of 2017. Questor received \$4.5 million orders for hybrid units to be delivered during 2018; the Company had a similar order in 2017. Approximately 75% of the order was delivered in nine months ended September 30, 2018 versus 87% for the same period of 2017.

During the quarter the Company was notified the balance of the \$4.0 million order was cancelled. The Company is not expecting to carry any additional inventory relating to the cancelled order.

### Service

Incinerator service revenue increased during nine months of 2018 versus the same period of 2017 due to increased rental activity, higher mix of part sales related to service work and increased transportation revenue. Transportation revenues have grown as result of investment in additional proprietary hook-on trailer capacity.

## GROSS PROFIT

Gross Profit for the nine months ended September 30, 2018 was \$11.0 million versus \$7.0 in 2017, for an increase of \$4.0 million. The \$4.0 million increase in gross profit was the result of higher rental and service revenue. Direct costs as a percentage of revenue are consistent with Management's expectations and prior periods after consideration of sales mix.

## CORPORATE

Nine Months Ended September 30 (stated in CDN\$) (unaudited)	2018 (\$)	2017 (\$)	Change (%)
Gross Profit <sup>(1)</sup>	<b>11,005,699</b>	7,033,076	56
<i>less corporate costs :</i>			
Administration expenses	<b>2,799,299</b>	2,507,469	12
Amortization of intangible assets	<b>268,656</b>	2,716	>100
Net foreign exchange losses (gains)	<b>(218,996)</b>	567,729	>(100)
Other expense	<b>63,911</b>	5,396	>(100)
Profit before tax	<b>8,092,829</b>	3,949,766	100
Income Tax	<b>2,468,646</b>	1,149,140	>100
Profit for the period	<b>5,624,183</b>	2,800,626	>100

<sup>(1)</sup> Refer to "Non-GAAP Measures" on page 11 for further information.

## ADMINISTRATIVE EXPENSES

Administrative expenses during the nine months ended September 30, 2018 increased 12% versus the same period of 2017.

The majority of the increase during the nine months ended September 30, 2018 is the result of incentive compensation. Stock based compensation expense increased as a result of additional grants awarded in December 2017. The Company also accrued annual incentive compensation expense based on expected financial performance for the year.

Both headcount and administrative facility infrastructure cost is consistent with the prior year. The most significant change to administrative infrastructure year over year is related to Questor's continued growth in the United States. This has resulted in an overall increase in corporate costs primarily related to tax filing and advisory services. The fees related to these services will vary from quarter to quarter but will trend higher year over year. Insurance costs have also increased due to a high mix of work performed in the United States. The Company is required to carry additional policies specific to the US and additional coverage for increased activity.

## AMORTIZATION OF INTANGIBLE ASSETS

The Company has incurred \$2.4 million of development expenses relating to the waste heat to power technology. The development expenses have been recorded to intangible assets. The Company received \$0.6 million of funding from Sustainable Development Technology Canada (SDTC) for the development of the waste heat to power technology relating to the development expenditures already incurred. The funding was recorded to intangible assets, effectively reducing the development expenses relating to the waste heat to power technology to a net \$1.8 million. The Company has determined the waste heat to power technology has reached the commercialization stage and recorded an amortization charge of \$0.3 million for the nine months ended September 30, 2018 versus \$nil in the same period of 2017.

## FOREIGN EXCHANGE LOSSES

The Company recorded a \$0.2 million foreign exchange gain for the nine months ended September 30, 2018 versus a loss of \$0.5 million in the same period of 2017. 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 gains incurred during the period are attributable to the translation of U.S. dollar-denominated monetary assets which appreciated against the Canadian dollar.

## INCOME TAX

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

## LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>				
Cash provided by (used in):				
Operating activities	<b>2,656,148</b>	1,125,988	<b>7,585,014</b>	1,453,987
Financing activities	-	-	<b>19,840</b>	3,500
Investing activities	<b>(55,319)</b>	(2,228,859)	<b>(4,042,570)</b>	(4,966,788)
Increase (Decrease) in cash	<b>2,600,829</b>	(1,102,871)	<b>3,562,284</b>	(3,509,301)

## OPERATING ACTIVITIES

The Company's "cash provided by" operating activities for the three months ended September 30, 2018 was \$2.7 million versus \$1.1 million for the same period in 2017 and \$7.6 million versus \$1.5 million for the nine months ended September 30, 2018 versus the same period in 2017.

The improvements for both the three and nine month periods ended September 30, 2018 versus 2017 is primarily due to increased profit, further complimented by favorable movements in working capital during the period. Working capital improvements are the result of strong accounts receivable collections, and a lower amount of deposits for materials required for capital expenditures.

## FINANCING ACTIVITIES

The financing activities amounts shown in the table above were provided from employee exercises of stock options. The Company primarily finances its operating and investing requirements through cash reserves and cash-flows.

During the nine months ended September 30, 2018, the Company renegotiated its existing 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 has been increased to a maximum of \$1,000,000 (previously \$560,000), the availability of which is subject to specified margin requirements. The capital loan was secured to assist in the financing of capital expenditures. The facility makes available a revolving demand capital loan to a maximum of \$5,000,000. The EDC facility was secured to assist in the financing of the day-to-day operations of the Company through the issuance by the Bank of letters of guarantee, standby letters of credit and performance bonds. The Company made no draws on the operating loan or new facilities during the three months ended September 30, 2018. At September 30, 2018, the Company had no outstanding letters of guarantee.

The availability of this facility is also subject to the Company meeting certain financial covenants. As shown in the table below, at September 30, 2018, the Company is in compliance with the financial covenants associated with its credit facilities.

As at September 30,	Covenant	Actual	
		2018	2017
Working capital ratio not to fall below	1.25x	<b>6.73x</b>	2.42x
Debt service ratio must be greater than	1.25x	<b>no debt</b>	no debt
Debt to tangible net worth not to fall below	2.5x	<b>no debt</b>	no debt

## INVESTING ACTIVITIES

Questor's cash used for investing activities was \$0.05 million for the three months ended September 30, 2018 versus \$2.2 million for the same period in 2017 and \$4.0 million for the nine months ended September 30, 2018 versus \$5.0 million for the same period in 2017.

The Company limited rental equipment investment during the three months ended September 30, 2018 versus \$2.2 million invested in the rental fleet during the same period in 2017.

For the nine months ended September 30, 2018, the Company invested \$4.0 million in rental unit expansion (2017 – \$5.0 million). The new equipment was transported to the United States region and capitalized in the periods it was commissioned.

## EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The foreign exchange gains and losses are attributable to the translation of U.S. dollar cash deposits and receivables as the U.S. dollar fluctuates against the Canadian dollar during the year.

## CAPITAL RESOURCES

The Company believes that its cash deposits and net cash generated from operating activities will provide sufficient capital resources and liquidity to fund existing operations and anticipated capital requirements in 2018.

At September 30, 2018, the Company had a cash balance of \$7.5 million as compared to \$3.8 million at December 31, 2017.

## OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares.

On September 15th 2016, the shareholders approved an amendment to the Company's stock option plan to fix the maximum number of common shares reserved for issuance at 10% of the number of common shares of the Company issued and outstanding. At September 30, 2018, the number of common shares available for issuance under Company's stock option plan was 2,646,537 shares.

Employees have been granted options to purchase common shares under the Company's shareholder-approved stock option plan. Each option entitles the option holder to purchase one share. As at November 13, 2018, there were 26,465,370 common shares issued and outstanding and 1,600,500 options issued and outstanding to purchase common shares.

## SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Sep. 30 2018	Jun. 30, 2018	Mar. 31 2018	Dec. 31, 2017	Sep. 30 2017	Jun. 30 2017	Mar. 31 2017	Dec. 31, 2016
<i>(stated in '000's CDN\$ except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>								
<b>Financial</b>								
Revenue	<b>5,761</b>	5,733	5,997	6,812	5,686	3,936	3,023	2,483
Gross Profit <sup>(1)</sup>	<b>3,880</b>	3,285	3,840	4,190	3,209	2,364	1,461	1,105
Adjusted EBITDA <sup>(1)</sup>	<b>3,205</b>	3,045	3,493	3,630	2,248	1,599	847	580
Profit (loss) for the period	<b>1,746</b>	1,781	2,097	1,049	1,425	959	416	244
Per share – basic	<b>0.07</b>	0.07	0.07	0.04	0.06	0.04	0.02	0.01
Per share – diluted	<b>0.07</b>	0.07	0.07	0.04	0.05	0.04	0.02	0.01

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



## OUTLOOK

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.

In April, 2018, Questor's Q5000s were independently tested in Colorado at a client's site and confirmed performance in excess of 99.99%. The significance of this live test under normal flowing conditions is that clients are now able to increase their permitted Volatile Organic Compound (VOC) destruction from the default, permitted 95% to 99%, when they use a Questor incinerator. This translates directly into an increase in oil production or sufficient operating room within their new air permits.

North Dakota is enforcing US EPA regulations at the State level that rewards the use of high efficiency combustion of VOCs from oil production. In October Questor was independently tested under EPA testing procedures in North Dakota and, once again, confirmed its performance in excess of 99.99%. Similar to the benefits that high performance provides in Colorado, Questor is already providing emissions control solutions in North Dakota where there is an increasing demand for our units. In what can be referred to as a game-changing solution, our higher emissions control delivers value in the form of increased oil production for our clients while maintaining NOx and VOCs at low and compliant levels.

Questor continues to enlist new clients for its rental fleet use which was one of the company objectives for 2018 and beyond. By growing the fleet, we have been able to ensure our clients have access when they need as midstream capacity continues to lag development in Colorado. We have developed a new low-pressure burner technology that we are installing in all new rental units and are retrofitting into all existing units. This technology is allowing our units to operate with more flexibility and provides an ideal capacity between high and low-pressure gases typically experienced from the Flowback phase through Production Operations. The technology is applicable to emissions control during drilling and hydraulic fracturing, which will further enable Questor to market its versatility across all phases of wellsite and facility operations.

With the uncertainty that Proposition 112 caused in Colorado now gone, industry in that State is free to reinvest and carry out activities that have been negatively impacted during the 3<sup>rd</sup> quarter of 2018. Questor anticipates that the same take-away constraints will result in industry seeking additional emissions control solutions in order to grow its production.

Questor will continue to commit capital to grow a presence in regions where producers are looking for high performing, cost-effective technologies to manage their waste gas and fugitive emissions. The demand for wellsite emissions control in Colorado has extended into Wyoming and North Dakota. Questor is establishing a presence in North Dakota where it expects to further expand its operations with full service support and a base of operations. We are experiencing sales and rental revenue in Texas as a direct result of our local representation. The Permian Basin continues to be active while facing flaring restrictions in an area lacking sufficient infrastructure and Questor is poised to extend its operations and support into this area. Questor has mobilized 10% of its rental fleet to North Dakota and, as demand continues to grow in that State, will invest additional capital to grow the fleet in the 4<sup>th</sup> quarter of 2018 and into 2019.

Questor's wholly owned subsidiary, ClearPower Systems Inc. (CPS), continues to aggressively market its waste heat to power technology. With significant market verticals and advanced technical discussions behind us it is expected that ClearPower will soon succeed in deploying incinerated gas heat to power and turbine-ORC solutions.

As a demonstration Questor will be operating the CPS 77 kW Organic Rankine Cycle (ORC) generator at its testing facility again in Grande Prairie during December, 2018. Incinerator flue gas will be used as fuel to run the ORC to demonstrate its full capability before being deployed to an actual oil and gas facility. Having reached an agreement with a producer to operate this unit at a processing facility in Alberta, Questor is in the process of obtaining permits and approvals to undertake this demonstration.

Questor continues its work towards commercializing water vaporization and is in the process of finalizing testing at the Grande Prairie facility with a further objective to install at an oil and gas facility for full product demonstration. Questor has reached an agreement to test this at a processing facility in Alberta in 2019 and has installed the first portion of this in July, 2018.

The Company remains committed to strategic and measurable technology diversification. Heat to power, water vaporization, glycol dehydration emissions control and low-pressure waste gas combustion are all synergistic diversifications of clean technology products and services that will support resource development over the long term. Questor's believes our technologies have global application where the demand ranges from simple combustion of waste gas to pairing that combustion with power generation. The market is viewing all of Questor's provisions as financially beneficial and the short-term payouts are proving to be attractive in the cyclical oil and gas sector.

We participated in the following this year;

Jan 09 AltaCorp One-on-One Meetings; Toronto  
Jan 10 Interview with Andrew Bell, BNN; Toronto  
Jan 17 Peters & Co. Lake Louise Energy Conference | Attendee  
Feb 21 Commercial & Industrial Energy Efficiency Roundtable | Attendee; Calgary  
Feb 21 Deloitte & Caldwell – The Shifting Global System: Risks & Response in Turbulent Times | Attendee; Calgary  
Mar 14 Globe 2018 | Attendee; Vancouver  
Mar 15 Globe 2018 – Emerging Innovation in Cleantech | Panel member; Vancouver  
Mar 15 Globe 2018 – Top 10 Investor Choice | One-on-One meeting; Vancouver  
Mar 16 Globe 2018 – Attracting Foreign Direct Investment | Panel Member; Vancouver  
Apr 4 Acumen Investor Presentation | Calgary  
Apr 6 Acumen Investor Presentation | Vancouver  
Apr 12 Beyond Shovels: The Canada Infrastructure Bank Takes Flight | Participant | Toronto  
Apr 12 Canada Growth Summit 3: Going the Distance | Participant | Toronto  
Apr 16 Acumen Investor Presentation | Montreal  
Apr 17-18 Global Methane Forum | Participant | Toronto  
Apr 19 Acumen Investor Presentation | Toronto  
Apr 24 Canada-Arab Business Council Annual Forum | Speaker | Ottawa  
Apr 25 Cormark Investor Presentation | Toronto  
Apr 26 Women/Mentors & Friends | Speaker | Calgary  
May 29 Women’s Energy Council Dinner | Participant | Calgary  
May 30 Oil & Gas Council Canada Assembly | Participant | Calgary  
Jun 6 Pennsylvania Lobby Day | Presenter | Harrisburg  
Jun 18 Canadian Academy of Engineering – Canada in a Carbon Competitive World | CAE Inductee | Calgary  
Jun 21 Ontario Global 100 Quarterly Forum | Participant | London  
Jun 22 Cormark Investor Presentations | Toronto  
Jun 27-28 EITE Review | Panel Member | Vancouver  
Jul 5 Alberta Clean Technology Roundtable | Participant | Calgary  
Aug 9 Innovation Gap Forum | Participant | Wakefield, QC  
Aug 30 Darcy Partners Production Optimization Forum | Presenter | Denver  
Sep 13 Rice Alliance Energy & Clean Technology Venture Forum | Presenter | Houston  
Sep 19 Darcy Partners Production Optimization Forum | Presenter | Calgary  
Sep 20 Energy Services Executive Roundtable | Participant | Calgary

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>				
Profit for the period	<b>1,746,243</b>	1,425,433	<b>5,624,183</b>	2,800,626
Add back (deduct):				
Income tax expense	<b>851,399</b>	523,374	<b>2,468,646</b>	1,149,140
Other (income)	<b>64,613</b>	(340)	<b>63,911</b>	5,396
Net foreign exchange (gains) losses	<b>147,887</b>	327,443	<b>(218,996)</b>	567,729
Amortization of intangible assets	<b>89,552</b>	1,811	<b>268,656</b>	2,716
Administrative Expenses	<b>980,649</b>	930,861	<b>2,799,299</b>	2,507,469
Gross Profit	<b>3,880,343</b>	3,208,582	<b>11,005,699</b>	7,033,076

Adjusted EBITDA is defined in the Company's credit facilities for covenant purposes as net income 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	
	2018	2017	2018	2017
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>				
Profit for the period	<b>1,746,243</b>	1,425,433	<b>5,624,183</b>	2,800,626
Add back (deduct):				
Income tax expense	<b>851,399</b>	523,374	<b>2,468,646</b>	1,149,140
Interest Income	<b>(13,386)</b>	(230)	<b>(14,088)</b>	(8,229)
Depreciation of property and equipment	<b>437,269</b>	249,021	<b>1,093,420</b>	599,234
Amortization of intangible assets	<b>89,552</b>	1,811	<b>268,656</b>	2,716
Stock Based Compensation	<b>94,117</b>	48,508	<b>302,332</b>	150,913
Adjusted EBITDA	<b>3,205,194</b>	2,247,918	<b>9,743,149</b>	4,694,400

## **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 2017 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 its defense in these matters. Should developments in any of these matters cause a change in Management's 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 the Company's 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, 2018 which is 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.

## **ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE**

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer, and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument.

## **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.

## **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.

## **CASH GENERATING UNITS**

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

## **RELATED-PARTY TRANSACTIONS**

The Company defines key management personnel as being the Directors, Chief Executive Officer, Chief Financial Officer, 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 5 and 6.

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 the annual base salary and accelerated vesting of any share options not then exercisable but which would have become exercisable within nine 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**

The IASB issued IFRS 15 Revenue from Contracts with Customers, a new standard for the recognition of revenue, which replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard is required to be adopted either retrospectively or using a modified retrospective approach. In accordance with the transition provisions in IFRS 15, the Company has adopted the new standard using the modified retrospective method; the cumulative effective of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings as of January 1, 2018. Comparative prior year periods are not restated. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

The IASB issued the final version of IFRS 9 Financial Instruments, which is effective for annual periods beginning on or after January 1, 2018. IFRS 9, as amended, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a substantially reformed approach to hedge accounting and a new impairment model for financial assets. The Company has adopted the standard retrospectively from January 1, 2018 with the transition provisions permitted under the standard. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in the opening balance as of January 1, 2018. Comparative prior year periods are not restated. The adoption of IFRS 9 did not result in a significant change to the Company's consolidated financial statements.

## **RECENT ACCOUNTING STANDARDS NOT YET APPLIED**

January 2017, the IASB issued IFRS 16 Leases which requires lessees to recognize all leases on the statement of Financial Position. 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 consolidated financial statements.

## **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, 2018 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.

## **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 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](http://www.questortech.com) or under the Company's public filings found at [www.sedar.com](http://www.sedar.com).