MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") of financial condition and results of operations is provided to enable readers to assess the consolidated results of operations, liquidity and capital resources of Questor Technology Inc. ("Questor" or the "Company") as at and for the year ended December 31, 2018 compared to the year ended December 31, 2017.

This MD&A, dated April 2, 2019, should be read in conjunction with the accompanying audited consolidated financial statements and notes thereto of Questor as at and for the year ended December 31, 2018 which are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The audited consolidated financial statements for the year ended December 31, 2018 (including comparatives) and this MD&A have been approved and authorized for issue by Questor's Board of Directors and Audit Committee.

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

QUESTOR'S BUSINESS

Headquartered in Calgary, Alberta, Questor has a trained workforce who provide specialized waste gas incineration products and services that may be required for the exploration, development and production of oil and gas reserves.

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

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

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

Questor's highly specialized technical team works with the client to understand the waste gas volume and composition. The Company's technical team determines the specific incineration product specification to achieve 99.9 percent combustion efficiency. The incinerators vary in size to accommodate small to large amounts of gas handling, the range is 50 mcf/d to 5,000 mcf/d. The incinerators also range in automation and instrumentation depending on the client's requirements. Questor's incinerators are used in multiple segments of the Oil and Gas industry including: drilling, completions, production and downstream.

The Company has three primary revenue streams; incinerator sales, incinerator rentals and incinerator services. Incinerator services include incinerator hauling, commissioning, repairs, maintenance and decommissioning. The Company offers incinerator products for purchase or for rent. Questor's current key incineration market for 2018 and 2017 has been Colorado. 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. In conjunction with U.S. Environmental Protection Agency (EPA) regulations, Colorado's Regulation 7 mandates the use of enclosed combustion (incinerators) and now targets methane, resulting in a statewide focus on the responsible management of potentially fugitive hydrocarbons. North Dakota also has additional requirements that reflect some of the unique and specific needs that extend beyond the EPA's requirements. The Company announced on November 26, 2018 that it was awarded contracts in the State North Dakota. The Company reallocated a portion of its rental fleet from Colorado to North Dakota during November and December 2018. At December 31, 2018, over 90% of the Company's incinerator rental fleet is located in Colorado and North Dakota where regulation supports demand for its proprietary high efficiency waste gas incineration systems.

The Company also provides its solutions to the Texas and Western Canadian markets. Questor expects that demand in these markets will increase as regulation continues to develop. Questor continues to discuss economically advantageous solutions to its considerable client base in Alberta and it appears that a number of companies are taking leadership roles to lower their carbon footprint sooner than rules may require.

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

FINANCIAL AND OPERATING HIGHLIGHTS YEAR ENDED DECEMBER 31, 2018 VERSUS 2017

CONSOLIDATED

Years Ended December 31,	**2018**	2017	Change
(stated in CDN$)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**23,472,526**	19,458,016	21
Gross Profit[1]	**13,781,407**	11,223,032	23
Earnings for the year	**7,137,524**	3,849,331	85
Per share — basic	**0.27**	0.15	80
Per share — diluted	**0.26**	0.14	86
As at December 31,			
Working capital, end of period	**13,104,926**	6,854,250	91
Total assets, end of period	**30,942,245**	23,832,100	29
Total equity, end of period	**26,379,456**	18,779,219	40

2018 HIGHLIGHTS

- Revenue increased $4.0 million (21%) for the twelve months ending December 31, 2018 versus the same period of 2017:
  - Revenue from incinerators rentals increased 41% from $11.4 million in 2017 to $16.1 million in 2018;
  - Incinerator equipment sales decreased 20% from $6.5 million in 2017 to $5.2 million in 2018;
  - Incinerator service revenue increased 38% from $1.6 million in 2017 to $2.2 million in 2018;
  - The Company invested $3.6 million during the year in the rental fleet, expanding the rental pool and further increasing revenue capacity;
  - The Company secured new contracts in North Dakota in late 2018 which resulted in moving 23% of it's fleet from Colorado to North Dakota. The successful award of North Dakota contracts and reallocation of rental assets to new markets support the Company's strategy to diversify its markets and customer base.

- Gross profit increased $2.6 million (23%) from $11.2 million in 2017 to $13.8 million in 2018 as a result of :
  - Capturing gross profit on incremental incinerator rental and service revenue;
  - Gross profit as a % of revenue improved as a result of high mix of rental revenue, rental revenues carry lower cost of sales which resulted in improved overall margins and gross profit;
  - The Company's commitment to supply chain management with a focus on procuring quality materials and sourcing materials at competitive prices.
  - The Company's continued focused on managing operations infrastructure ensuring indirect operational resource additions are consistent with increased activity and revenue growth.

- Earnings increased $3.3 million (85%) for the twelve months ending December 31, 2018 versus 2017 as result of:
  - Capturing $2.6 million gross profit on incremental incinerator rental and service revenue;
  - Improvement of foreign currency impact from US operations;
  - Continued administrative infrastructure cost control; headcount additions and administrative infrastructure expansion during 2018 paced consistently with revenue growth.

CONSOLIDATED

Years Ended December 31,	2018	2017	Change
(stated in CDN$) *(unaudited)*	*($)*	*($)*	*(%)*
Revenue	**23,472,526**	19,458,016	21
Cost of Sales	**9,691,119**	8,234,984	18
Gross Profit[(1)]	**13,781,407**	11,223,032	23
Gross Profit (%)	**59**	58	1

REVENUE

Revenue for the twelve months ended December 31, 2018 was $23.5 million versus $19.5 million in 2017, for an increase of $4.0 million. The following is a breakdown of revenue by the major service lines comprised of rentals, sales and services. Incinerator rentals were $16.1 million versus $11.4 million in the same period of 2017. Incinerator sales were $5.2 million versus $6.5 million in the same period of 2017. Incinerator service revenue was $2.2 million versus $1.6 million in the same period of 2017.

Rentals

The Company assesses performance of the rental revenue streams by the following; 1) number of rental days, 2) revenue capacity, 3) utilization and 4) pricing. Revenue from incinerators rentals during the twelve months ended December 31, 2018 increased 41% versus the same period of 2017. The Company's successful marketing efforts expanded its customer base in Colorado and North Dakota during 2018 increasing from 11 customers in 2017 to 24 customers in 2018. The increased demand was supported by capital invested in expanding the rental fleet, adding to the number of incinerators available for rent and therefore the revenue capacity. The Company's expanded customer base and rental equipment investment resulted in a 46% increase in the number of days rented.

Rental utilization is a efficiency measure of the rental fleet asset deployment. The Company uses utilization target rates to achieve a number of objectives including; return on capital, sales targets, equipment availability, operational performance and maintenance. Rental utilization during the twelve months ended December 31, 2018 decreased 27% versus the same period of 2017. Utilization for the twelve months ended December 31, 2017 was very high. The Company added to the rental fleet during 2018 to meet its objectives for equipment availability and maintenance. In general utilization was consistent with the Company's targets except for the four quarter which is discussed on page 8.

Questor's evaluates pricing performance based on day rates realized. The majority of contracts are priced on a day rate or monthly rate basis. The Company converts monthly rates to a day rate and measures performance on that basis. The average day rate for the twelve months ended December 31, 2018 decreased 7.8 percent versus 2017. The decrease in day rate was the result of reduced pricing to incentivize clients to longer term rentals.

Sales

Incinerator sales during the twelve months ended December 31, 2018 decreased $1.3 million versus the same period of 2017. Questor received a $4.5 million order for the hybrid units to be delivered during 2018; the Company had a similar order in 2017. The terms of the order included flexible timing provisions to allow client to schedule when units were to be fabricated and delivered during the year. The Company was notified during the previous quarter to stop fabricating units and that the balance of the order that was unfilled is cancelled. The cancellation of this order accounted for the majority of the year over year variance. In general, the industry continues so see lower oil and gas commodity pricing. The lower pricing results in lower cashflows and has constrained capital, making purchasing equipment a less attractive option versus renting. The Company assesses performance of the sales revenue streams by sales volume and pricing, both have been lower for the reasons noted above.

Service

Incinerator service revenue during the twelve months ended December 31, 2018 increased $0.5 million versus the same period of 2017. The Company assesses performance of the services revenue streams by job volume and pricing. Job volumes are primarily linked to equipment rental activity which increased over the prior year. Other factors for the favorable performance are; higher mix of part sales related to service work and increased transportation revenue. Transportation revenues have grown as a result of additional investment in our proprietary hook-on trailer units during 2018.

GROSS PROFIT

Gross Profit for the twelve months ended December 31, 2018 was $13.8 million versus $11.2 million in 2017, for an increase of $2.6 million. The Company uses gross profit margin targets as a percentage of revenue to evaluate performance. Gross profit margin performance for both 2018 and 2017 was consistent with targets and cost management objectives.

The Company also measures incremental gross margin contribution relative to sales increases. For the twelve months ended December 31, 2018, gross profit increased $2.6 million on a sales increase of $3.1 million. Performance was consistent to expectations as higher rental revenues resulted in incremental profitability within the gross profit margin targets for the revenue stream.

CORPORATE

Years Ended December 31,	**2018**	2017	Change
(stated in CDN$)	***($)***	*($)*	*(%)*
(unaudited)			
Gross Profit(1)	**13,781,407**	11,223,032	23
less corporate costs :			
Administration expenses	**3,813,353**	3,334,274	14
Depreciation of property and equipment	**53,317**	35,648	
Amortization of intangible assets	**230,062**	358,211	36
Net foreign exchange losses (gains)	**(406,524)**	489,392	<(100)
Impairment	**-**	1,200,000	>(100)
Other expense	**101,149**	195,095	(48)
Profit before tax	**9,990,050**	5,610,412	23
Income Tax	**2,852,526**	1,761,081	63
Profit for the period	**7,137,524**	3,849,331	85

ADMINISTRATIVE EXPENSES

The Company assesses general administration expense performance as a function of revenue. The Company expects that general and administrative expenses as a percentage of revenue will remain consistent or decrease as the Company grows. General and administrative expenses were 16.2 percent of revenue for the twelve months ended December 31, 2018 versus 17.1 percent the same period of 2017.

Administrative expenses during the twelve months ended September 30, 2018 increased 14% versus the same period of 2017. The increase to administrative expenses during the period is the result of increased; stock based compensation expenses, insurance costs, accounting, tax compliance and legal advisory services. Stock based compensation expense increased as a result of additional grants awarded in December 2018. The Company is required to carry additional policies specific to the US and additional coverage for increased activity. Accounting, tax compliance and legal advisory services have also increased as a result of the growth in the United States

The Company also assesses general administration performance by monitoring headcount additions and facility infrastructure costs. Both headcount and administrative facility infrastructure cost are generally consistent with the prior year other than resources added to sales and marketing .

AMORTIZATION OF INTANGIBLE ASSETS

The Company completed development of the waste heat to power technology in early 2017. The Company assesses that a market exists for the waste heat to power generation equipment and expects the product will provide future economic benefits. The Company has been awarded a $5.8 million Clean Combustion to Power contract to supply waste heat to power equipment in 2019 as announced January 7, 2019. The Company commenced amortization in 2017 and estimates the technology should be amortized on a straight line basis over five years.

FOREIGN EXCHANGE GAINS/LOSSES

The Company recorded a $0.4 million foreign exchange gain for the year ended December 31, 2018 versus a loss of $0.5 million in 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 year are attributable to the translation of U.S. dollar-denominated monetary assets which appreciated against the Canadian dollar during the period.

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

IMPAIRMENT

The Company acquired ClearPower Systems in 2014 and continued to develop and invest in the waste heat to power products and solutions. ClearPower Systems operates as a cash generating unit (CGU). The carrying costs of the CGU are reflected in the Company's consolidated intangible assets and property and equipment balances.

Annual impairment tests of the CGU are completed annually as stated in note 3 of the Financial Statements. The Company completed the impairment test at December 31, 2018 and determined that there were no indicators of impairment.

The results of the impairment test completed at December 31, 2017 determined the estimated fair value of this reporting unit was less than its carrying amount. The results of the impairment test determined the estimated fair value of this reporting unit was $1,200,000 less than its carrying amount. An impairment loss of $1,200,000 was recorded in 2017, with a corresponding charge to goodwill of $687,398 and intangible assets of $512,602.

OTHER EXPENSE (INCOME)

The Company has adopted IFRS 9, Financial instruments effective January 1, 2018. Trade receivables are recorded at the original invoice value less any amounts estimated to be uncollectable. Loss allowances are measured at fair value in the statement of financial position, with value changes recognized in profit or loss. The Company measures loss allowances at an amount equal to five year ECL. During the twelve months ended December 31, 2018, the Company recorded a $0.1 million allowance for doubtful accounts provision against its receivables.

INCOME TAX

The increased tax expense is primarily the result of improved earnings as discussed above. The effective tax rate for the twelve months ended December 31, 2018 was 28.3 percent versus 31.3 percent for the same period of 2017. The current enacted tax rate for the Company is 27%. For the twelve months ended December 31, 2018, the effective tax rate is higher than the Canadian enacted tax rates due to permanent differences related to stock compensation, unrealized foreign exchange, and non-deductible meals, travel and entertainment.

On December 22, 2017, new tax legislation was signed into law in the United States. The Tax Cuts and Jobs Act (TCJA) reduced the U.S. federal corporate income tax rate from 35 percent to 21 percent effective January 1, 2018. Questor also is assessed another layer of corporate income tax levied by individual states. The change in federal US tax legislation combined with the state income taxes results in a combined US tax rate that is currently consistent to the Canadian enacted tax rate resulting in limited impact on the Company's effective tax rate compared to the prior year.

The effective tax rate is higher for the twelve months ended December 31, 2017 due to the higher United States tax rates that were in effect in during 2017 for Questor's US operations.

LIQUIDITY AND CAPITAL RESOURCES

Years Ended December 31,	**2018**	2017
(stated in CDN$)	***($)***	*($)*
(unaudited)		
Cash provided by (used in):		
Operating activities	**9,003,702**	4,775,966
Financing activities	**72,340**	3,500
Investing activities	**(4,160,850)**	(7,536,501)
(Decrease) in cash	**4,915,192**	(2,757,035)

OPERATING ACTIVITIES

Cash provided by operating activities for the year ended December 31, 2018 was $9.0 million versus $4.8 million for the same period in 2017. The increase in "cash provided by" is the result of higher profitability and related cashflows. Favorable movements in non-cash working capital also contributed to the cash build.

FINANCING ACTIVITIES

During 2018 and 2017, the financing activities consisted of the issuance of common shares on employee-exercised stock options.

During the twelve months ended December 31, 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 twelve months ended December 31, 2018. At December 31, 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 December 31, 2018, the Company complied with the financial covenants associated with its credit facilities.

Years Ended December 31,		Actual	
	Covenant	**2018**	2017
Working capital ratio not to fall below	1.25x	**4.87x**	2.56x
Debt service ratio must be greater than	1.25x	***no debt***	*no debt*
Total liability to tangible net worth not to fall below	2.5x	***0.27X***	*0.25x*

INVESTING ACTIVITIES

The Company invested $4.2 million in the Company's incinerator rental fleet during the twelve months ended December 31, 2018 versus $7.5 million for the same period in 2017. The Company continues to invest in the rental fleet to expand our capabilities, improve our competitive position, and increase our market share. Questor regularly reviews its capital equipment requirements and will continue to follow its policy of adjusting the capital budget on a quarterly basis to reflect changing operating conditions, cash flow and capital equipment needs.

CAPITAL RESOURCES

The Company believes that its cash deposits, non-cash working capital and net cash generated from operating activities is sufficient to fund operations and anticipated capital requirements in 2019. The debt facilities secured during the year are undrawn and available to provide additional capital resources.

SHARE CAPITAL

As at April 1, 2019, Questor had 26,829,120 common shares and 1,236,750 employee stock options outstanding.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	**Dec, 31 2018**	Sep, 30 2018	Jun, 30 2018	Mar, 31 2018	Dec, 31 2017	Sep, 30 2017	Jun, 30 2017	Mar, 31 2017
(stated in '000's CDN$ except per share amounts) (unaudited)	***($)***	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Financial								
Revenue	**5,981**	5,761	5,733	5,997	6,812	5,686	3,936	3,023
Gross Profit	**2,776**	3,880	3,285	3,840	4,190	3,209	2,364	1,461
Profit for the period	**1,513**	1,746	1,781	2,097	1,049	1,425	959	416
Per share – basic	**0.06**	0.07	0.07	0.07	0.04	0.06	0.04	0.02
Per share – diluted	**0.06**	0.07	0.07	0.07	0.04	0.05	0.04	0.02

FINANCIAL OVERVIEW - THREE MONTHS ENDED DECEMBER 31, 2018 VERSUS 2017

CONSOLIDATED HIGHLIGHTS

Three Months Ended December 31,	**2018**	2017	Change
(stated in CDN$) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**5,980,907**	6,812,039	(12)
Gross Profit	**2,775,709**	4,189,955	(34)
Profit for the period attributed to the shareholders of Questor	**1,513,342**	1,048,704	44
Per share — basic	**0.06**	0.04	33
Per share — diluted	**0.06**	0.04	33

FOURTH QUARTER HIGHLIGHTS

- Revenue decreased $0.8 million (12%) for the three months ending December 31, 2018 versus the same period of 2017:
  - Revenue from incinerators rentals decreased 22% from $4.6 million in 2017 to $3.6 million in 2018;
  - Incinerator equipment sales increased 20% from $1.5 million in 2017 to $1.8 million in 2018;
  - Incinerator service revenue decreased 17% from $0.7 million in 2017 to $0.6 million in 2018;
  - The majority of the decrease in revenue was result of Questor's largest client curtailing activity during the three months ended December 31, 2018;
  - The Company secured contracts in North Dakota during 2018 which resulted in moving 23% if it's fleet from Colorado to North Dakota during the three months ended December 31, 2018. The successful award of North Dakota contracts and reallocation of rental assets to new markets support the Company's strategy to diversify its markets and customer base. The reallocation of rental assets required the equipment to be taken out of service for a short period of time.

- Gross profit decreased $1.4 million (34%) from $4.2 million in 2017 to $2.8 million in 2018 as result of :
  - Lower incinerator rental and service revenue;
  - The Company completed a full preventative maintenance program prior to transportation of the units to the North Dakota market. The costs of the preventative maintenance program and transportation expenses were approximately $0.5 million, the majority of which were transportation costs.

- Earnings increased $0.5 million (44%) for the three months ending December 31, 2018 versus the same period of 2017:
  - The improvement was result of foreign currency gains, lower effective tax rate and no impairment charges.

CONSOLIDATED

Three Months Ended December 31,	**2018**	2017	Change
(stated in CDN$) *(unaudited)*	*($)*	*($)*	*(%)*
Revenue	**5,980,907**	6,812,039	(12)
Cost of Sales	**3,205,198**	2,622,084	22
Gross Profit(1)	**2,775,709**	4,189,955	34
Cost of Sales (%)	**54**	38	16
Gross Profit (%)	**46**	62	(16)

REVENUE

Revenue for the three months ended December 31, 2018 was $6.0 million versus $6.8 million in 2017, for an decrease of $0.8 million. The following is a breakdown of revenue by the major service lines comprised of rentals, sales and services. Incinerator rentals were $3.6 million versus $4.6 million in the same period of 2017. Incinerator sales were $1.8 million versus $1.5 million the same period of 2017. Incinerator service revenue was $0.6 million versus $0.7 million in the same period of 2017.

Rentals

Revenue from incinerators rentals during the three months ended December 31, 2018 decreased 22% versus the same period of 2017. The Company assesses performance of the rental revenue streams by the following; 1) number of rental days, 2) revenue capacity, 3) utilization and 4) pricing.

As discussed on page 3, the Company invested capital expanding the rental fleet, adding to the number of incinerators available for rent and therefore the rental revenue capacity. Rental revenue capacity for the three months ended December 31, 2018 was higher versus the same period in 2017. Although revenue capacity increased over the prior year, revenue from incinerators rentals during the three months ended December 31, 2018 decreased as a result of lower number of rental days driven by lower utilization.

Rental utilization is an efficiency measure of the rental fleet asset deployment. The Company uses utilization targets rate to achieve a number of objectives including; return on capital, sales targets, equipment availability, operational performance and maintenance. Rental utilization during the three months ended December 31, 2018 decreased versus the same period of 2017.

The majority of the decrease in rental utilization was result of Questor's largest client curtailing activity during the three months ended December 31, 2018 versus the same period of 2017. Another contributing factor to the decrease in utilization is the reallocation of rental assets to North Dakota. The Company secured contracts North Dakota during 2018 which resulted in moving 23% if it's fleet from Colorado to North Dakota during the three months ended December 31, 2018. The successful award of North Dakota contracts and reallocation of rental assets to new markets support the Company's strategy to diversify its markets and customer base. The reallocation of rental assets required the equipment to be taken out of service for a short period of time to complete preventative maintenance prior to shipment and to transport the units.

Questor's key pricing performance indicator is day rate. The majority of contracts are priced on a day rate or monthly rate basis. The Company converts monthly rates to a day rate and measures performance on that basis. The average day rate for the three months ended December 31, 2018 decreased versus 2017. The decrease in day rate was result of reduced pricing to incentivize clients to enter longer term rentals.

Sales

Incinerator sales revenue during the three months ended December 31, 2018 were consistent versus the same period of 2017. Incinerators sales recorded during the quarter related to a project in Canada. Incinerator sales in the fourth quarter of 2017 related to sales of hybrid units in the Colorado market.

In general, the industry continues so see lower oil and gas commodity pricing. The lower pricing results in lower cashflows and has constrained capital. Equipment sales for the three months ended December 31, 2018 are consistent to expectations considering the current oil and gas commodity price environment.

Service

Incinerator service revenue during the three months ended December 31, 2018 is consistent versus the same period of 2017 despite a drop in rental revenue. Transportation revenues have grown as result of additional investment in our proprietary hook-on trailer capacity during 2018.

GROSS PROFIT

Gross Profit for the three months ended December 31, 2018 was $2.8 million versus $4.2 million in 2017, for an decrease of $1.4 million. The Company uses gross profit margin targets as a percentage of revenue to evaluate cost control performance. Gross profit margin targets vary by revenue stream, rental margins are higher than equipment sales and service margins.

The Company also measures gross margin relative to sales increases or decreases. For the three months ended December 31, 2018, rental revenue decreased $1.0 million. The reduction in rental revenues contributed to approximately 50% of the reduction in gross profit for the period.

As discussed in revenue above, the Company secured contracts in North Dakota which resulted in moving 23% if it's fleet from Colorado to North Dakota during the three months ended December 31, 2018. The Company completed a full preventative maintenance program prior to transportation of the units. The costs of the preventative maintenance program and transportation expenses were approximately $0.5 million, the majority of which were transportation costs. The expenditures were required to support the Company's strategy to diversify its markets and customer base.

CORPORATE

Three Months Ended December 31,	**2018**	2017	Change
(stated in CDN$)	*($)*	*($)*	*(%)*
(unaudited)			
Gross Profit[1]	**2,775,709**	4,189,955	(34)
less corporate costs :			
Administration expenses	**1,053,695**	861,417	22
Depreciation of property and equipment	**13,676**	1,037	>100
Amortization of intangible assets	**(38,594)**	355,495	>(100)
Net foreign exchange losses (gains)	**(187,527)**	(78,337)	(55)
Impairment	**-**	1,200,000	>(100)
Other expense	**37,237**	189,700	(80)
Profit before tax	**1,897,222**	1,660,643	14
Income Tax	**383,880**	611,939	(37)
Profit for the period	**1,513,342**	1,048,704	44

ADMINISTRATIVE EXPENSES

Administrative expenses increased by $0.2 million representing a 22 % increase in corporate expenses in 2018 from 2017. The Company assesses general administration performance by monitoring headcount additions and facility infrastructure costs. Both headcount and administrative facility infrastructure cost are relatively consistent with the prior year. The most significant change to administrative expenses year over year is related to Questor's continued growth in the United States. The majority of the administrative expenses increase for the three months ended December 31, 2018, compared to 2017 is a result of insurance policy renewals during the period for the US operation. The balance of the administrative expenses increase is result of higher accounting and tax compliances fees.

AMORTIZATION OF INTANGIBLE ASSETS

For the three months ended December 31, 2018, the amortization expense recorded is lower as a result of an accounting adjustment. Amortization expense recorded in prior quarters of 2018 were overstated.

FOREIGN EXCHANGE LOSSES

The Company's foreign exchange gain in both 2018 and 2017 resulted from the U.S. dollar which appreciated against the Canadian dollar over the quarter.

IMPAIRMENT

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

OTHER EXPENSES

During the three months ended December 31, 2018, other expenses consisted of an estimated credit loss provision adjustment. In the prior year, the Company recorded a $0.2 million allowance for doubtful accounts provision against its receivables related to one specific customer in the United States.

INCOME TAXES

The decreased tax expense is primarily the result of lower earnings as discussed above. The effective tax rate the twelve months ended December 31, 2018 was 19.1 percent versus 36.8 percent for the same period of 2017. The current enacted tax rate for the Company is 27%. For the three months ended December 31, 2018, the effective tax rate is lower than the Canadian enacted tax rate due to differences related to unrealized foreign exchange gains.

The U.S. reduced its federal corporate income tax rate from 35 percent to 21 percent effective January 1, 2018. The Company also is assessed another layer of corporate income tax levied by individual states. The change in US tax legislation results in a US tax rate that is currently consistent to the Canadian enacted tax rate resulting in limited impact on the Company's effective tax rate. For the three months ended December 31, 2017, the effective tax rate is higher than the Canadian enacted tax rates due to higher tax rates in effect during 2017 for Questor's US operations.

OUTLOOK

Key Markets

Questor expects to continue to enlist new clients for its rental fleet in 2019. By growing the fleet, we have been able to ensure our clients have access when they need as midstream capacity continues to lag production development. 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. In general, Questor anticipates that the same take-away constraints will result in the industry seeking additional emissions control solutions in order to grow its production, driving demand for our products in 2019.

Colorado

Colorado's Regulation 7 mandates the use of enclosed combustion and now targets methane, resulting in a statewide focus on the responsible management of potentially fugitive hydrocarbons. While the States regulations support the use of the Company's products, a new Senate Bill 181 (SB181) is likely to be introduced in 2019, if passed in its current form, it may increase the level of uncertainty for the Colorado market. The new bill contemplates more input from local communities over oil and gas development and requires continuous emissions monitoring (CEM). The Colorado oil and gas industry is requesting several key amendments to be added to SB 181 before it makes its way completely through the House of Representatives. The objective of the amendments is to make clear that Colorado welcomes and fosters responsible oil and gas development by setting specific standards upon which operators will be measured. Lobbyists are hopeful that the select amendments will be added as the bill moves to the House's Appropriation Committee.

In April, 2018, Questor's Q5000s were independently live tested in Colorado under normal flowing conditions at a client's site, confirming performance in excess of 99%. To that point all Combustors in Colorado were assumed to be 95% efficient. The significance of the recognition of Questor's higher performance at site , 99% (from 95%), translates into lower Volatile Organic Compound (VOC) emissions on site that results directly into an increase in oil production or sufficient operating room within their new air permits. Each site has a limit of 100 tonnes of VOC's per year which is expected to be reduced to 50 tonnes in 2020.

Questor is anticipating that demand for its products and services from its key client will decrease in Colorado for 2019. The decline is expected to be offset with new clients allowing the Company to maintain its current market share into 2019.

North Dakota

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 2018, Questor was independently tested under EPA testing procedures in North Dakota and, once again, confirmed its performance in excess of 99%. 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. The Company secured contracts in North Dakota which resulted in moving 23% if it's fleet from Colorado to North Dakota during the fourth quarter of 2018. The successful award of North Dakota contracts and reallocation of rental assets to new markets support the Company's strategy to diversify its markets and customer base. Questor has established a presence in North Dakota with a new base of operations that provides full service support.

The Company is forecasting market share growth in North Dakota for 2019. Capital investment for the North Dakota is described below in Capital Expenditures.

Canada

The Company is anticipating 2019 to be a difficult year for the domestic oil and gas industry in Canada based on continued volatility in commodity prices and constraints for NGL take-away options for WCSB originated production. Current regulations continue to permit flaring and do not mandate the use for efficient waste gas incineration systems. These challenges are expected to continue through 2019, the Company expects that demand for its products and services in Canada to be relatively consistent to 2018.

Mexico

On January 7, 2019 the Company announced that it has been awarded a project to supply clean combustion incineration technology with our waste heat to power generation equipment at three oil and gas production facilities in Mexico. The total project award amount of $5.8 million is expected to be recognized in 2019. Questor is pleased to showcase its technologies to eliminate gas venting and methane and utilize the waste heat to generate power for a significant asset owner within the oil and gas sector in Mexico.

Texas and New Mexico

The demand for wellsite emissions control is extending to the Permian in Texas and New Mexico especially with the challenges of lack of gas pipeline infrastructure. We are experiencing sales and rental revenue in Texas as a direct result of our marketing efforts. In the Permian Basin we are forecasted to require investment capital for rental equipment in order to achieve market share growth in 2019.

Capital Expenditures

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 Company is forecasting 2019 Capital Expenditures of $7-10 million focused on the continued expansion of the rental fleet. The Company expects approximately 90% of the budget will be dedicated to additional proprietary rental emissions control equipment. The balance of the budget will be allocated to rental support equipment and maintenance capital. Questor expects 50-70% of the new units will be fabricated and made available for use in the first half of 2018.

The Company expects to deploy the new equipment to Colorado to replace the units reallocated to North Dakota during the fourth quarter of 2018. Questor estimates 35% of the 2019 capital budget will go to the Colorado market. The Company is forecasting market share growth in North Dakota for 2019. Capital investment for the North Dakota is expected to be 45% of the 2019 capital budget. The balance of the 2019 capital budget is currently allocated to provide equipment to grow the Texas and New Mexico market.

Key Objectives

Market Share

The Company's primary objective for 2019 is to gain gas combustion market share in the Colorado, North Dakota, Texas and New Mexico market through its incineration products and services. 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.

Product Diversification

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

Innovation – Emissions Sensors

The Company has commenced a project focused on the capture and transmission of the field sensor data installed on our waste gas incineration systems. The data will be transmitted to a Emissions Excellence Control Center that will be set-up in Calgary were a team will monitor all our equipment from one central site. The objective of the project is to collect real time information that allows our clients to demonstrate compliance with the increasing regulations to reduce harmful air pollution arising out of crude oil and natural gas industry activities. The project includes specific focus on the efficient destruction of methane, volatile organic compounds (VOC's) and hazardous air pollutants (HAP's). The recognition by the regulator of our higher combustion performance (exceeding 99%) in North Dakota will be aided with this data. The data platform that Questor is developing with enable our clients in Colorado to meet the new proposed bill requiring continuous emissions monitoring. Confirmation and certification of emission reductions are becoming a key metric with regulators, the public, investors and shareholders. Most recently, many large global E&P companies have stated emission reduction goals and tied their executive compensation on meeting these goals and targets.

MEETINGS

We participated in the following meetings 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
Oct 3	SDTC Annual Public Meeting | Panel Member | Ottawa
Oct 4	World Standards Day | Panel Member | Ottawa
Oct 5	Nigerian Canadian Association of Calgary – "Entrepreneurship in Canada Trends & Tips for Success" | Panel Member | Calgary
Oct 9-11	TPH Disruption Conference | Participant | Houston, TX
Oct 16	Acumen Investor Presentations | Toronto
Oct 22-24	CCI Summit | Participant | Ottawa
Oct 30	British Chamber of Commerce – Mexico's Energy Day | Speaker | Mexico City, MX
Nov 1	US-Russia Chamber of Commerce, 3rd Technology & Innovation Conference | Speaker | Houston, TX
Nov 6	Enabling Methane Technologies, SAIT | Speaker | Calgary
Nov 6	Haskayne School of Business "The State of World Energy Markets & Canada | Participant | Calgary
Nov 7	Acumen Investor Presentations | Ottawa
Nov 8	CSPC 2018 | Speaker | Ottawa
Nov 9-12	Indigenous Solutions | Speaker | Banff
Nov 22-25	Bennett Jones Lake Louise World Cup Business Forum | Participant | Lake Louise
Nov 30	PetroChina & CNOOC – Alberta Matchmaking Event | Participant | Calgary
Dec 6	SIAC Meeting | Participant | Calgary

BUSINESS ENVIRONMENT

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

CONTRACTS

Incinerator sales contracts are generally short term in nature, the majority of incinerator orders can be completed in less than 6 months. The sales contracts contain a single performance obligation which is to manufacture and provide the completed incineration equipment. The performance obligation is satisfied by delivering the specified goods as outlined in the terms and conditions. Transaction price is clearly identified in the contract. The Company currently offers assurance warranties which provides the customer with assurance that the product will function as it complies with agreed-upon specifications. The sales contracts contain no other separate performance obligations.

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

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

As at December 31, 2018	Payment Due by Period			
	Total	< 1 Year	1 - 3 Years	4 - 5 Years
(stated in CDN$) *(unaudited)*	($)	($)	($)	($)
Facility leases	**1,785,298**	561,389	1,223,909	$ 454,024
Total contractual obligations	**1,785,298**	561,389	1,223,909	454,024

Questor has various contractual lease commitments related to four facilities located in Alberta, Colorado, North Dakoda and Florida.

LITIGATION

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

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

CREDIT

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

Standard payment terms for the industry are 30-60 days from the invoice date, however industry practice allows payment for up to 70 days after the invoice date. An impairment analysis is performed at each reporting date using a provision matrix to measure Estimated Credit Losses. The calculation

reflects the probability-weighted outcome information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The current credit risk of the oil and natural gas industry has increased significantly in the low oil and gas commodity prices environment. The Company has increased focus on credit and is mitigating credit risk through strict credit policies and practices, including the use of credit limits and approvals, and by monitoring its customers' financial condition. Payment terms with customers may vary based on credit assessment. Standard payment terms, however, are 30 days from invoice date.

The Company's aged trade and accrued accounts receivable at December 31, 2018 and 2017 are as follows:

As at December 31	**2018**	2017
Current	**$2,192,427**	$2,025,594
31 – 60 days	**1,788,986**	2,815,077
61 – 90 days	**417,929**	351,597
Greater than 90 days	**298,751**	34,563
Trade and other receivables	**$4,698,093**	$5,226,831

LIQUIDITY

The Company's principal sources of liquidity are cash reserves, operating cash flows, existing or new credit facilities, and new share equity. The Company monitors its liquidity to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending maintain liquidity.

At December 31, 2018 and 2017, the expected timing of cash outflows relating to financial liabilities is outlined in the table below:

As at December 31,	Maturity	**2018**	2017
Trade payables, accrued liabilities and provisions	Within 1 year	**$1,625,556**	$3,437,873
Current tax liabilities	Within 1 year	**216,093**	924,228
		$1,841,649	$4,362,101

The Company's cash balances at December 31, of which those held in foreign currencies are reported at their Canadian dollar equivalent, are as follows:

Years Ended December 31,	**2018**	2017
Canadian dollars	**$6,206,266**	-
United States dollars	**2,603,271**	3,847,756
Other non-Canadian currencies	**107**	107
	$8,809,644	$3,847,863

Liquidity risk is the risk that Questor will not be able to meet its financial obligations as they come due. The Company generally relies on cash deposits, funds generated from operations, deposits received from customers in respect of a sale and credit facilities to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to finance the development of new clean air technologies or acquisitions. The Company believes it has sufficient working capital to meet future obligations as they come due.

FOREIGN EXCHANGE

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies are primarily the U.S. dollar. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and property, plant and equipment from vendors in the United States. This risk is mitigated, however, by the Company's U.S. operations and accompanying revenue streams.

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the Canadian dollar and the foreign currencies would affect profit before tax by approximately $0.4 million (2017 - $0.4 million).

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

RELATED-PARTY TRANSACTIONS

The Company defines key management personnel as being the Directors, Chief Executive Officer, Chief financial Officer, and Chief Operating Officer as described in Note 22. In addition to their salaries and directors' fees, the Company also provides non-cash benefits including participation in the Company's share option plan, as described in Notes 10 and 13.

The Company has entered into an employment agreement with an executive officer of the Company. In the event of termination without cause or resignation or change of control, the executive officer is entitled to any unpaid annual base salary and all accrued but unpaid bonuses and vacation pay through to the date of termination, a severance payment equal to 18 months of their annual base salary and accelerated vesting of any share options not then exercisable but which would have become exercisable within six months of the date of termination. In the event of a change of control, all share options that are not then exercisable shall vest immediately and become exercisable.

The Company had no related party transactions other than those noted above. There were no amounts owing to or from related parties at December 31, 2018 and 2017.

SUBSEQUENT EVENTS

On February 22, 2019, the Company entered into a commercial building lease agreement. The term of the lease is twenty-six (26) months, commencing May 1, 2019 and expiring June 30, 2021. Total commitment over the lease period are $249,000, which is comprised of total base rent payable $214,000 and operating costs of $35,000.

ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Questor's significant accounting policies are described in Note 3 to the annual consolidated financial statements.

Critical accounting estimates and judgements

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

Key sources of estimation uncertainty

The following judgments and estimates are those deemed by management to be material to the Company's consolidated financial statements.

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.

Impairment

Assessment of impairment is based on management's judgment of whether there are internal and external factors that would indicate that an asset or CGU is impaired.

At the end of each reporting period, the Company reviews the carrying amounts of its impairment of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss.

During 2018, management assessed whether indicators of impairment existed and concluded no indicators were present, therefore a test for impairment was not required.

Non-Financial Assets

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

Provisions and Contingencies

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

Estimates

Allowance for Doubtful Accounts

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

Impairment of Inventories

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

Depreciation and amortization

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

Income taxes

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

Fair value of equity-settled share-based payments

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

NEW ACCOUNTING POLICIES

The Company has adopted IFRS 9, Financial instruments and IFRS 15, Revenue from Contracts with Customers effective January 1, 2018.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The details of IFRS 9 and the nature and effect of changes to previous accounting policies are discussed below.

Classification and measurement of financial assets and liabilities

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through OCI (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The classification categories are as follows:

- A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are measured using the effective interest method.
- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Financial liabilities – The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the Consolidated Statement of Comprehensive Income.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured a fair value with changes in fair value and interest expense recognized in the Consolidated Statement of Comprehensive Income.

Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

Cash and trade and other receivables that were classified as loans and receivables under IAS 39 are now classified as financial assets at amortized cost. Trade payables, accrued liabilities and provisions, which were previously classified as other financial liabilities under IAS 39 are now classified as financial liabilities at amortized cost under IFRS 9. No change in measurement related to these items was recorded on the transition to IFRS 9 on the prior year comparative information as there was no material impact.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model for calculating impairment. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. No change in measurement related to these items was recorded on the prior year comparative information as there was no material impact adjustments to the carrying amounts of any of the Company's financial instruments following the adoption of IFRS 9.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The Standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, and related interpretations. The Company has adopted IFRS 15 effective January 1, 2018 retrospectively and determined that there is no material impact to the timing of recognition or measurement of revenue under IFRS 15. The Company enters into contracts with customers that have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IRFS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year of less, or for performance where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to customer in the Company's performance to date.

FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board (IASB) issued IFRS 16, Leases, in January 2016. The new standard replaces IAS 17, Leases. Under the new standard, more leases will be recognized on the statement of financial position for lessees, with the exception of leases with a term not greater than 12 months and "small value" leases. Lease accounting for lessors remains substantially the same as existing guidance.

The standard is effective for years beginning on or after January 1, 2019, IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings and applies the standard prospectively. The Company plans to use the modified retrospective approach for its adoption of IFRS 16 effective January 1, 2019.

At December 31, 2018, the Company's IFRS 16 transition project consists of three key phases: project scoping, impact analysis, and implementation phase. The Company anticipates the adoption of IFRS 16 will have a material impact on the consolidated statement of financial position primarily due to the capitalization of real estate leases which are currently recognized as operating leases in the consolidated statement of comprehensive income.

The Company leases a portfolio of real estate assets/holdings that are expected to be recorded as right of use (ROU) assets with a corresponding lease liability of approximately $0.5 million.

On initial adoption, the Company intends to use the following practical expedients permitted under the standard:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of low dollar value; and,
- Use hindsight in determining the lease term where a contract contains terms to extend or terminate the lease.

A process for identifying potential leases under IFRS 16 has been established and the Company is currently implementing changes to policies, internal controls, information systems, and business and accounting processes.

BUSINESS RISKS

The business of Questor is subject to certain risks and uncertainties. Prior to making any investment decision regarding Questor, investors should carefully consider, among other things, the risk factors set forth below.

VOLATILITY OF INDUSTRY CONDITIONS

The demand, pricing and terms for the Company's services largely depend upon the level of activity and expenditures made by oil and gas companies on exploration, development and production activities in North America. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for the Company's services is high. The converse is also true.

The prices for oil and natural gas are subject to a variety of factors including: the demand for energy; the ability of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels for oil; oil and gas production by non-OPEC countries; the decline rates for current production; political and economic uncertainty and socio-political unrest; cost of exporting, producing and delivering oil and gas; technological advances affecting energy consumption; and weather conditions. Any prolonged reduction in oil and natural gas prices would likely decrease the level of activity and expenditures in oil and gas exploration, development and production activities and, in turn, decrease the demand for the Company's services.

In addition to current and expected future oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors over which the Company has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the expected rates of current production; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability of pipeline and other oil and gas transportation capacity; natural gas storage levels; political, regulatory and economic conditions; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital or debt financing; and currency fluctuations. A material decline in global oil and natural gas prices or North American activity levels as a result of any of the above factors could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

DEPENDENCE ON MAJOR CUSTOMERS

The Company's successful marketing efforts expanded its customer base in Colorado and North Dakota during 2018 from 11 customers in 2017 to 24 customers in 2018. Notwithstanding the expanding the Company's customer base, revenue generated from the largest customer represented 46% (2017 – 60%) of total revenues. Revenue generated from the largest customer was $10,723,000 (2017 – $11,628,000). During the year ended December 31, 2018, revenue generated from the second largest customer represented 13% (2017 – 13%) of total revenues. Revenue generated from the second largest customer was $2,870,000 (2017 – $2,574,000).

EQUIPMENT LEVELS

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the quantity of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment. Periods of high demand often spur increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand. Such capital overbuild could cause the Company's competitors to lower their pricing and could lead to a decrease in rates in the oilfield services industry generally, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

COMPETITION

Each of the markets in which the Company participates is competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which the Company operates are product and service quality and availability, technical knowledge and experience, reputation for safety and price. The Company may compete with large national and multinational oilfield service companies that have extensive financial and other resources. These companies offer a wide range of services in all geographic regions in which the Company operates. In addition, the Company competes with regional competitors. As a result of competition, the Company may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

ACCESS TO CAPITAL

The Company is required to comply with covenants under its credit facilities. In the event that the Company does not comply with such covenants, the Company's access to capital could be restricted or repayment could be required. Such non-compliance could result from an impairment charge to the Company's capital assets, which is determined based on management's estimates and assumptions when certain internal and external factors indicate the need for the Company to assess its capital assets balance for impairment. If realized, these risks could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing under its credit facilities, the lenders could proceed to foreclose or otherwise realize upon any collateral granted to them to secure the indebtedness.

VOLATILITY IN CREDIT MARKETS

The ability to make scheduled debt repayments, refinance debt obligations and access financing depends on the Company's financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain finance, business and other factors beyond its control. In addition, the Company's ability to refinance debt obligations and access financing is affected by credit ratings assigned to the Company and its debt. Continuing volatility in the credit markets could increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the ability of the Company, or third parties it seeks to do business with, to access those markets.

In addition, access to further financing for the Company or its customers remains uncertain. This condition could have an adverse effect on the industry in which the Company operates and its business, including future operating results. The Company's customers may curtail their drilling and completion programs, which could decrease demand for the Company's services and could increase downward pricing pressures. Further, certain customers could become unable to pay suppliers, including the Company, in the event they are unable to access the capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

CAPITAL INTENSIVE INDUSTRY

The Company's business plan is subject to the availability of additional financing for future costs of operations or expansion that might not be available, or may not be available on favorable terms. If the Company's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on acceptable terms. In addition, if the Company's financial performance results in a breach of a future financial covenant, access to financing could be restricted and/or all or a portion of the Company's debt could become due on demand. Such risks, if realized, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

FOREIGN OPERATIONS

Some of the Company's activity may be located in countries outside of Canada and the United States, some of which may be considered politically or economically unstable. Activities in such countries may require protracted negotiations with host governments, national oil and gas companies and third parties and are frequently subject to economic and political considerations, such as taxation, nationalization, expropriation, inflation, currency fluctuations, increased regulation and approval requirements, restrictions on the repatriation of income or capital, governmental regulation and the risk of actions by terrorist, criminal or insurgent groups, any of which could adversely affect the economics of exploration or development projects and the demand for the Company's services which, in turn, could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Additionally, activity outside of Canada could also expose the Company to trade and economic sanctions or other restrictions imposed by the Canadian government or other governments or organizations, such as the sanctions issued by the Canadian and U.S. governments against Russia. Although management has implemented procedures and policies that it believes to be adequate and customary in the industry and the countries where the Company may provide services, federal agencies and authorities may seek to impose a broad range of criminal or civil penalties against the Company or its representatives for violations of securities laws, foreign corrupt practices laws or other federal statutes, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

FEDERAL, STATE AND PROVINCIAL LEGISLATIVE AND REGULATORY INITIATIVES

The operations of the Company's customers are also subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, customers' operations could be disrupted or curtailed by governmental authorities. The cost of compliance with applicable regulations may cause customers to discontinue or limit their operations and may discourage companies from continuing development activities. As a result, demand for the Company's services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Changes in environmental requirements may reduce demand for the Company's services. For example, oil and natural gas exploration and production could become less cost-effective and decline as a result of increasingly stringent environmental requirements (including land use policies responsive to environmental concerns and delays or difficulties in obtaining environmental permits). A decline in exploration and production, in turn, could materially and adversely affect the Company's business, financial condition, results of operations and cash flows.

ENVIRONMENT LAWS AND REGULATIONS

The Company is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating the protection of workers and the environment, including laws and regulations governing occupational safety standards, air emissions, and waste management. The Company incurs, and expects to continue to incur managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to the Company's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The Company uses and generates wastes in its operations. Because the Company provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment.

OPERATIONAL RISKS

The Company's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose the Company to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. The Company continuously monitors its activities for quality control and safety, and although the Company maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that the Company considers reasonable and commercially justifiable.

SEASONALITY

The Company's financial results are directly affected by the seasonal nature of the North American oil and natural gas industry, particularly in portions of western Canada and Northern United States. The first quarter incorporates the winter drilling season when a disproportionate amount of the activity takes place in western Canada and Northern United States. During the second quarter, soft ground conditions typically curtail oilfield activity in all of the Company's Canadian operating areas and its operating areas in Colorado and North Dakota such that equipment is unable to be moved due to road weight restrictions. This period, commonly referred to as "spring break-up", occurs earlier in the year in northern United States and southeast Alberta than it does in northern Alberta and northeast British Columbia. Consequently, this could impact the Company's three-month revenue period. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Company might not be able to access well sites and its operating results and financial condition could therefore be adversely affected. Services may also be affected by severe winter weather in North America. In addition, during excessively rainy periods in any of the Company's operating areas, equipment moves may be delayed, thereby adversely affecting revenue. The volatility in the weather adds a further element of unpredictability to activity and utilization rates, which can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

SAFETY STANDARDS

Standards for the prevention of incidents in the oil and gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, the Company has developed and implemented safety and training programs, which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of the Company's safety performance could result in a decline in the demand for the Company's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

MANAGEMENT STEWARDSHIP

The successful operation of the Company's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of its key employees. If the Company lost the services of one or more of its executive officers or key employees, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

BENEFITS OF ACQUISITIONS AND DISPOSITIONS

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Any acquisition that the Company completes could have unforeseen and potentially material adverse effects on the Company's financial position and operating results. Some of the risks involved with acquisitions include: unanticipated costs and liabilities; difficulty integrating the operations and assets of the acquired business; inability to properly access and maintain an effective internal control environment over an acquired company; potential loss of key employees and customers of the acquired company; and increased expenses and working capital requirements.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The inability of the Company to realize the anticipated benefits of acquisitions and dispositions could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

NEW TECHNOLOGIES AND CUSTOMER EXPECTATIONS

The ability of the Company to meet its customers' performance and cost expectations will depend upon continuous improvements in operating equipment and proprietary technology. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Company to do so could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

INTELLECTUAL PROPERTY

The success and ability of the Company to compete depends on the proprietary technology of the Company. The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents to protect its proprietary technology. The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Company or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technology that is similar or superior to the technology of the Company or such third parties or design technology in such a way as to bypass the patents owned by the Company and/or such third parties.

Despite the efforts of the Company, the intellectual property rights, particularly existing or future patents, of the Company may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to the Company's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

CONFIDENTIAL INFORMATION

The Company's efforts to protect its confidential information, as well as the confidential information of its customers, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. If any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage the Company's reputation and diminish its competitive position. In addition, the affected customers could initiate legal or regulatory action against the Company in connection with such incidents, which could cause the Company to incur significant expense. Any of these events could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

DEMAND FOR OIL AND NATURAL GAS

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on its business, financial condition, results of operations and cash flows.

SOURCES, PRICING AND AVAILABILITY OF RAW MATERIALS, COMPONENTS AND PARTS

The Company sources its raw materials, such as components and parts. The Company's current suppliers may be unable to provide the necessary raw materials and components at a price acceptable to the Company or otherwise fail to deliver products in the quantities required. Any resulting cost increases or delays in the provision of services could have a material adverse effect on its business, financial condition, results of operations and cash flows.

EMPLOYEES

The Company may not be able to find enough skilled labor to meet its need, and this could limit growth. The Company may also have difficulty finding enough skilled labor in the future if demand for its services increases. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increase with stronger demand for oilfield services. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

Other factors can also affect the Company's ability to find enough workers to meet its needs. Volatility in oil and natural gas activity, however, may prompt workers to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to the Company's. The Company's success depends on its ability to continue to employ and retain skilled technical personnel and qualified personnel. If the Company is unable to, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

TAX ASSESSMENTS

The Company files all required income tax returns and believes that it is in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income (loss) for tax purposes or could change administrative practices to the Company's detriment. A successful reassessment of the Company's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on the Company's financial condition and cash flows.

GROWTH RELATED RISKS

The Company's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company proved unable to deal with this growth, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

ADVISORIES

FORWARD-LOOKING STATEMENTS

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

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to expected operating strategies and targets, capital expenditure programs, future financial resources, use of funds held in the Company's segregated bank account (as an equity cure or otherwise), anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, results of acquisitions, the impact of environmental regulations and economic reforms and sanctions on the Company's business, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events, trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth prospects including, without limitation, its international growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements. These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the effect unconventional gas projects have had on supply and demand fundamentals for natural gas and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

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

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

ADDITIONAL INFORMATION

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