# 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 unaudited, consolidated results of operations, liquidity and capital resources of Questor Technology Inc. ("Questor" or the "Company") as at and for the three and nine months ended September 30, 2021 compared to the same periods ended September 30, 2020. This MD&A, dated November 12, 2021, should be read in conjunction with the audited consolidated financial statements and notes thereto of Questor as at and for the year ended December 31, 2020 which are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2021 (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 OVERVIEW

Questor Technology Inc., incorporated in Canada under the Business Companies Act (Alberta) is an environmental emissions reduction technology company founded in 1994, with operations across North America. The Company is focused on clean air technologies that safely and cost effectively improve air quality, support energy efficiency and greenhouse gas emission reductions. The Company designs, manufactures and services high efficiency waste gas clean combustion systems that destroy harmful pollutants, including Methane, Hydrogen Sulfide gas, Volatile Organic Hydrocarbons, Hazardous Air Pollutants and BTEX (Benzene, Toluene, Ethylbenzene and Xylene) gases within waste gas streams at 99.99 percent efficiency. This enables its clients to meet emission regulations, reduce greenhouse gas emissions, address community concerns and improve safety at industrial sites. The Company also has proprietary heat to power generation technology and is currently targeting new markets including landfill biogas, syngas, waste engine exhaust, geothermal and solar, cement plant waste heat in addition to a wide variety of oil and gas projects. The Company is also doing research and development on data solutions to deliver an integrated system that amalgamates all of the emission detection data available and demonstrates how Questor's clean combustion and power generation technologies can be used to help clients achieve zero emission targets.

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

# CONSOLIDATED FINANCIAL RESULTS

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| *(Unaudited, stated in CDN$)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Revenue | **1,644,314** | 1,066,851 | **4,376,745** | 6,587,045 |
| Gross Profit (Loss) | **38,298** | (442,261) | **(52,954)** | 1,507,868 |
| Loss for the period | **(453,744)** | (961,869) | **(2,212,845)** | (943,927) |
| Loss per share | | | | |
| Basic | **$(0.02)** | $(0.04) | **$(0.08)** | $(0.03) |
| Diluted | **$(0.02)** | $(0.04) | **$(0.08)** | $(0.03) |

| As at | **September 30, 2021** | December 31, 2020 |
|---|---|---|
| *(unaudited)* | ***($)*** | *($)* |
| Working capital | **17,781,247** | 19,300,453 |
| Total assets | **35,360,706** | 38,014,911 |
| Total equity | **32,081,341** | 33,989,100 |

## THIRD QUARTER 2021 OVERVIEW

### Financial Performance

The Company's financial performance continues to be impacted by the effects of COVID-19 on the global economy. For the three months ended September 30, 2021:

- Revenue increased 54% to $1.6 million for the three months ended September 30, 2021 compared to $1.1 million for the same period in 2020. The improvement was driven by a 2% increase in rental utilization compared to the prior year and $0.5 million higher equipment sales revenue.

- The Company received purchase orders from two customers operating in the Montney region of Canada for tall stack incinerators totalling $3.9 million to be delivered in the first half of 2022. Both of these units are specifically designed to assist our clients to safely handle hydrogen sulphide gas and also meet the stringent rules for emissions in northeast British Columbia.

- Gross profit was nil for the three months ended September 30, 2021 compared to a gross loss of $0.4 million for the same period in 2020 or an increase of $0.4 million. The improvement relates to the Company's focus on streamlining operations and reducing costs over the past year.

- Loss of $0.5 million for the three months ended September 30, 2021 is an improvement of $0.5 million compared to a $1.0 million loss for the same period in 2020. The Company continues to focus on managing costs and also benefited during the quarter by a $0.3 million tax refund related to the carry back of tax losses.

- The Company maintained a strong financial position at September 30, 2021 including cash reserves of $15.3 million and an undrawn $1.0 million revolving demand loan facility and $5.0 million capital loan facility.

- The Company is continuing to defer rental fleet capital expansion plans until there is a sustained increase in demand for its products and services.

### Research and Development Projects

Research and development projects are important to the Company's overall strategy to diversify its products and services and provide clean, cost-effective solutions to reduce greenhouse gas emissions ("GHG") and support its customers' sustainability goals to achieve net zero emissions. During the quarter:

- The Company signed an agreement with Sustainable Development Technology Canada ("SDTC") to receive up to $4.5 million of funding to expedite the development of the Company's CPS 50-1500 kW modular, reliable, high efficiency Waste Heat to Power generation systems ("ORCs"). Funding will be received throughout the project as specific conditions and milestones set out in the agreement are met by the Company. As at September 30, 2021, the technical design of the 1500kW turboexpander was complete and the Company began designing the 1500kW ORC generator module and procuring material to build the 1500kW prototype. The Company is also starting the design work relating to the 50-100kW ORC.

- The Company continued to progress its development project with respect to quantifying emissions reductions. This project is a partnership with the Southern Alberta Institute of Technology ("SAIT") to develop a comprehensive systems-based approach to the detection, quantification and removal of onsite methane emissions from oil and gas production, processing, storage and transport operations ("The Project"). The Project costs are largely being funded by Alberta Innovates and Western Economic Development. The Project is expected to be complete in the first quarter of 2022.

- The Company continues its collaboration with North-East Gas Association ("NYSEARCH") and Stanford University to develop alternative approaches to cleanly combust waste gas. The Company's contribution to the project is funded by NYSEARCH. This project is developing a methane oxidation catalyst system designed to eliminate methane slip from waste gas streams. The device would be the first of its kind and has the potential to be applied across many industries.

## MARKET OUTLOOK

The effects from COVID-19 continue to impact the global economy and the Company's operations and financial performance. It is difficult to predict how long these market conditions will continue to negatively impact the business but the global focus on methane emissions reductions is increasing as noted in the recent discussions at the COP26 climate summit in Glasgow, Scotland and the recently issued rules on methane reduction by the US Environmental Protection Agency (EPA). The Company is well positioned to meet any increases in demand with its proven cost-effective technology solutions.

The Company has seen some small signs of recovery during the quarter including the re-commencement of work previously put on hold by a customer, a small increase in rental utilization and the sale of two tall stack incinerators to be delivered in 2022. The Company is optimistic that as methane emission intensive industries continue to recover from the pandemic, these Companies will refocus their efforts on the achievement of their emissions reduction commitments which is expected to result in increased demand for the Company's clean technology.

In addition, the Company continues to progress its strategic initiatives by adding strength to the sales and engineering teams and furthering its research and development activities in respect of product development and commercialization. These efforts will allow the Company to diversify into new markets, expand its waste heat to power offering and build digital capability focused on an emissions platform that will enable credible quantification of emission reductions for its customers.

### Canada

The Company sees signs of increasing demand for its products in this market, and as noted above, sold two incinerators this past quarter for a total of $3.9 million to be delivered in 2022. Both of these units will be specifically designed to safely handle hydrogen sulphide gas and meet stringent rules for emissions in northeast British Columbia.

In October, the Canadian government announced Canada's support for the Global Methane Pledge which aims to reduce global methane emissions by 30 percent below 2020 levels by 2030s. In addition, at the COP26 climate summit, the Canadian government announced a cap on Canada's oil and gas emissions is to be introduced by 2025. The Company continues to work with potential clients in Canada to offer products and services that will assist them in meeting their emissions reduction targets.

### United States

The US market has proven difficult over the past year due to the Company's previous customer concentration in the oil and gas market. However, as the energy industry and drilling activity continues to recover, the Company expects to see a rebound in demand for its services.

In addition, the US Environmental Protection Agency ("EPA") recently released new rules specific to methane reduction. These rules require US based companies to focus on methane reduction opportunities to meet emission reduction goals. Questor provides an inexpensive, proven and reliable way to reduce carbon footprint and has positioned both its operations and sales and marketing teams in the US to be ready to capitalize on this expected growth in demand as these new rules are enforced.

### Other Markets

There continues to be increased focus and recognition on a global level, that reducing methane is a key part of achieving emissions reductions targets. The Company has been in recent discussions exploring opportunities and demand for its products in other countries such as Australia, the Middle East and Mexico.

The Company has continued its efforts to progress the final commissioning of three waste heat to power facilities in Mexico during the quarter. However, COVID-19 continues to impact the global supply chain and has resulted in further delays in getting the required equipment and personnel on site to complete the work. The Company is working with the client on a revised project plan to restart commissioning in the fourth quarter of 2021. The Company continues to be optimistic for further business in this area given the country's aggressive objectives to address energy emissions.

Subsequent to the quarter, the Company has entered into an agreement with OiLSERV Oilfield Services (BVI) Ltd. to actively collaborate and conduct a joint market survey of the potential for selling the Company's products to energy companies in specified territories in the Middle East. The Company will work together with OiLSERV to establish mutually beneficial sales targets and agree on commercial terms.

## FINANCIAL OVERVIEW – THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 VERSUS 2020

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| *(Unaudited, stated in CDN$)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Revenue | **1,644,314** | 1,066,851 | **4,376,745** | 6,587,045 |
| Cost of sales | **1,606,016** | 1,509,112 | **4,429,699** | 5,079,177 |
| Gross Profit (Loss) | **38,298** | (442,261) | **(52,954)** | 1,507,868 |
| Gross Profit (Loss) (%) | **2** | **(41)** | **(1)** | **23** |

## REVENUE

Revenue for the three and nine months ended September 30, 2021 was $1.6 million and $4.4 million versus $1.1 million and $6.6 million for the same periods in 2020. This represents an increase of $0.5 million or 54%, and a decrease of $2.2 million or 34% respectively for the three and nine months periods compared to prior year. Details are set out by major business line as follows:

### Equipment Sales

Equipment sales for the three and nine months ended September 30, 2021 were $0.7 million and $2.3 million versus $0.3 million and $2.5 million for the same periods in 2020. This represents an increase of $0.4 million or 170%, and a decrease of $0.2 million or 8% for the nine months ended September 30, 2021. The Company has seen slight increases in equipment sales revenue in Q2 and Q3 of 2021 compared to the same periods in 2020. The year-to-date revenue in 2021 is lower than 2020 because the first quarter of 2020 was not significantly impacted by COVID-19.

### Equipment Rentals

Equipment rentals for the three and nine months ended September 30, 2021 were $0.7 million and $1.6 million versus $0.6 million and $3.4 million for the same periods in 2020. This represents an increase of $0.1 million or 23% for the three months ended September 30, 2021, and a decrease of $1.8 million or 53% for the nine months ended September 30, 2021. Rental utilization for the Company continues to be significantly impacted by the trend that started mid-2020 when oil and gas customers started drastically cutting costs during the COVID-19 pandemic and one of the Company's large customers filed for bankruptcy protection. The Company has seen a 2% increase in rental utilization during the three months ended September 30, 2021 compared to the same period in 2020.

### Equipment Service

Equipment service for the three and nine months ended September 30, 2021 was $0.2 million and $0.5 million versus $0.2 million and $0.7 million for the same periods in 2020. Job volumes are primarily linked to equipment rental and sales activity.

## GROSS PROFIT (LOSS)

Gross profit was nil for the three months ended September 30, 2021, compared to a gross loss of $0.4 million for the same period in 2020 or an increase of $0.4 million. The improvement relates to the Company's focus on streamlining operations and reducing costs over the past year. Rental and equipment sales margins in the quarter are consistent with the prior year but the overall gross profit during the three months ended September 30, 2021, was negatively impacted by $0.3 million of costs incurred related to its efforts to progress the final commissioning of three waste heat to power facilities in Mexico. Gross profit (loss) for the nine months ended September 30, 2021 was nil versus profit of $1.5 million for the same period in 2020 as the first quarter results for 2020 were not significantly impacted by COVID-19.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| *(Unaudited, stated in CDN$)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Gross Profit (Loss) | **38,298** | (442,261) | **(52,954)** | 1,507,868 |
| *less corporate costs:* | | | | |
| Administration expenses | **750,708** | 474,599 | **2,537,785** | 2,643,257 |
| Depreciation expense of properties and equipment and right-of-use assets | **33,854** | 34,561 | **101,378** | 104,418 |
| Amortization of intangible assets | **71,521** | 100,533 | **214,956** | 214,957 |
| Net foreign exchange losses (gains) | **(194,804)** | 119,679 | **(43,859)** | (462,586) |
| Other expenses | **113,965** | 45,522 | **193,996** | 175,358 |
| Loss before tax | **(736,946)** | (1,217,185) | **(3,057,210)** | (1,167,536) |
| Income tax recovery | **(283,202)** | (255,316) | **(844,365)** | (223,609) |
| Loss for the period | **(453,744)** | (961,869) | **(2,212,845)** | (943,927) |

### Administrative Expenses

Administrative expenses for the three and nine months ended September 30, 2021 were $0.8 million and $2.5 million versus $0.5 million and $2.6 million versus the same period in 2020. The three months ended September 30, 2020 benefitted by a $0.3 million reduction in salary costs related to the Canada Emergency Wage benefit. Consistent with the Company's strategic initiatives to diversify its products and markets, the Company has been adding strength to its engineering and sales teams during 2021 resulting in an increase to salary expense. This increase in salary cost in 2021 has been largely offset by decreases in costs for insurance, consultants and professional advisory matters for the three and nine months ended September 30, 2021 compared to the same periods in the prior year.

### Foreign Exchange Gains/Losses

The Company recorded a $0.2 million foreign exchange gain for the three months ended September 30, 2020 versus $0.1 million loss in 2020. Foreign exchange gains and losses arise from the translation of net monetary assets or liabilities that are held in US dollars. The foreign exchange gains incurred during the quarter are attributable to the translation of US dollar-denominated monetary assets which appreciated against the Canadian dollar.

### Other Expenses

Other expenses for the three and nine months ended September 30, 2021 were $0.1 million and $0.2 million versus nil and $0.2 million during the same period in 2020. Other expenses are primarily made up of legal costs relating to the Emissions RX lawsuit discussed later in this MD&A, net interest expense (income) and gains and losses on the sale of assets for the periods ended September 30, 2021.

### Income Tax

Income tax recovery for the three and nine months ended September 30, 2021 was $0.3 million and $0.9 million versus $0.3 million and $0.9 million versus the same period in 2020. The effective tax rate for the three and nine months ended September 30, 2021 was 39 percent and 28 percent versus 21 percent and 19 percent for the same periods in 2020. The main reason for the increase in effective tax rate this quarter was a refund of tax paid related to the carryback tax losses to prior periods.

## LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and debt management, which includes monitoring forecasts of the Company's cash and cash equivalents and borrowing facilities on the basis of projected cash flow. Based on currently available information, the Company expects to maintain compliance with the covenants and will have sufficient liquidity with significant reserve capacity during the next year to support its ongoing operations.

| For the nine months ended September 30, | **2021** | 2020 |
|---|---|---|
| *(Unaudited, stated in CDN$)* | ***($)*** | *($)* |
| Cash provided by (used in): | | |
| Operating activities | **(515,778)** | 2,784,866 |
| Investing activities | **(540,498)** | (135,053) |
| Financing activities | **3,182** | 927,853 |
| Increase (decrease) in cash | **(1,053,094)** | 3,577,666 |

### Operating Activities

Operating activities for the nine months ended September 30, 2021 used $0.5 million versus providing $2.8 million for the same period in 2020 due to an increase in net loss during the period compared to the prior year.

### Investing Activities

Investing activities for the nine months ended September 30, 2021 used $0.5 million versus using $0.1 million for the same period in 2020. The use of cash was to further the Company's development activities with respect to its modular, high efficiency Waste Heat to Power generation systems and its digital capability focused on an emissions platform that will enable credible quantification of emission reductions for its customers.

### Financing Activities

Financing activities for the nine months ended September 30, 2021 was nil versus providing $0.9 million for the same period in 2020. Financing activities during the nine months ended September 30, 2021, include inflows on the issuance of common shares related to employee-exercised stock options providing cash proceeds of $32,500 (2020 - $174,251) and government grant funding in the amount of $120,000. Financing outflows consist of lease obligation repayments of $149,318 (2020 - $212,585). During the three months ended September 30, 2020 of the Company received a repayable government grant in the amount of $966,187.

For the nine months ended September 30, 2021 and 2020, the Company had in place an Operating Loan Facility ("Operating Loan") and a Capital Loan Facility ("Capital Loan"). The Company's operating loan facility has a maximum amount of $1 million, the availability of which is subject to specified margin requirements. The capital loan was secured to assist in the financing of capital expenditures. The facility makes available a revolving demand capital loan to a maximum of $5 million. The Company made no draws on the operating loan or capital loan facilities during the nine months ended September 30, 2021 and 2020.

The availability of these facilities is also subject to the Company meeting certain financial covenants. As shown in the table below, at September 30, 2021, the Company complied with the financial covenants associated with its credit facilities.

| | | Actual | |
|---|---|---|---|
| For the nine months ended September 30, | Covenant | **2021** | 2020 |
| Working capital ratio (total current assets/total current liabilities) not to fall below | 1.25x | **14.1x** | 12.1x |
| Debt service ratio (net operating income/debt servicing costs) must be greater than | 1.25x | **No borrowings*** | No borrowings |
| Total liability to tangible net worth not to exceed | 2.5x | **0.11x** | 0.12x |

*Repayable government assistance agreement does not affect the calculation as it is an interest free loan

## SHARE CAPITAL

As at September 30, 2021, the Company had 27,460,120 common shares, 583,375 employee stock options, 459,473 restricted share units (RSUs), and 173,453 performance share units (PSUs) outstanding. The maximum number of equity-based compensation units including stock options, PSUs and RSUs that may be reserved for issuances shall not exceed 10 percent of the outstanding common shares of the Corporation.

**Summary of Quarterly Results**

| For the three months ended | **Sept 30, 2021** | June 30, 2021 | Mar 31, 2021 | Dec 31, 2020 | Sep 30, 2020 | June 30, 2020 | Mar 31, 2020 | Dec 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| *(Unaudited, stated in '000's CDN$ except per share amounts)* | | | | | | | | |
| Cost of sales | **1,606** | 1,184 | 1,548 | 2,624 | 1,067 | 1,031 | 4,489 | 6,817 |
| Gross Profit (Loss) | **38** | (127) | 36 | 298 | (442) | (37) | 1,987 | 3,242 |
| Profit (Loss) for the period | **(454)** | (873) | (886) | (798) | (962) | (1,248) | 1,265 | 1,062 |
| Per share – basic | **(0.02)** | (0.03) | (0.03) | (0.03) | (0.04) | (0.05) | 0.05 | 0.04 |
| Per share – diluted | **(0.02)** | (0.03) | (0.03) | (0.03) | (0.04) | (0.05) | 0.05 | 0.04 |

## LITIGATION

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

### The Company vs. Emissions Rx Ltd.

The Company filed a claim against three former employees who resigned over a period of two months, in 2018. After the former employees resigned, the Company learned that the former employees had incorporated Emission Rx on November 14, 2017, several months prior to their departures. The Company sought injunctive relief to prevent Emission Rx competing in the market against the Company and infringing the Company's intellectual property. The Company asserts ownership of Emission Rx's LP Burner Technology, through: (i) the terms of the employment agreements signed by the Individual Respondents; or (ii) the application of the common law. The court declined to issue the injunction in 2019, however ordered the defendants to deliver all remaining confidential information belonging to the Company. The court's decision included the statement that the Company has demonstrated that it has a prima facie case with respect to its claim that the defendants breached their fiduciary duties and contractual duties of confidentiality. Currently, the Company has applied to the court to order additional evidence disclosure from the Defendants. Notwithstanding the uncertainty as to the outcome, based on the information currently available, the Company does not believe the outcome of this litigation or legal expenses incurred in aggregate will have a material adverse effect on its consolidated financial position.

## CREDIT

The Company's accounts receivable are mainly due from customers within the energy industry and are subject to typical industry credit terms. The Company assesses the credit worthiness of its customers, and monitors accounts receivable outstanding on a regular, ongoing basis.

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

Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument.

The Company continues to have an aged receivable of $0.5 million relating to equipment delivered to the client but not fully commissioned due to travel restrictions and safety issues. While the client has an obligation to pay for the equipment under a letter of credit, the payment is not due until commissioning is complete.

## 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 and manages liquidity by maintaining adequate credit facilities and monitoring its forecasted and actual cash flows. The Company may also adjust its capital spending to maintain liquidity.

The Company generally relies on funds generated from operations, and credit facilities to provide enough liquidity to meet budgeted operating requirements, as well as government grants 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.

## CONTRACTS

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

The second type is generally longer term in nature and based upon a custom order with custom equipment. These sales contracts contain multiple performance obligations over a specified period of time with the final obligation being the manufacturing and delivery of the completed equipment. The obligations over time are based upon performance milestones and outlined in the contract terms and conditions. The transaction price is clearly identified in the contract. For both types of sales contracts, the Company currently offers warranties which provide the customer with assurance that the product will function as it complies with agreed-upon specifications. These sales contracts contain no other separate performance obligations.

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

## RELATED-PARTY TRANSACTIONS

The Company defines key management personnel as being the Directors, Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. In addition to their salaries and directors' fees, the Company also provides non-cash benefits including participation in the Company's long term incentive plans. There were no other types of related party transactions during the nine months ended September 30, 2021.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim condensed consolidated financial statements in accordance with IFRS, requires management to make judgments, estimates, and assumptions that affect the reported assets, liabilities, revenues, expenses and the disclosure of contingencies. Actual results may differ significantly from these estimates. A description of the significant accounting judgments, estimates and assumptions are set out in annual audited financial statements for the year ended December 31, 2020.

During the nine months ended September 30, 2021, the Company has commenced capitalizing costs associated with its waste heat to power and data quantification development projects. Determining the commencement of capitalization of development costs requires judgement to determine when the criteria for capitalization in accordance with IFRS has been met. The Company has also entered into government grant agreements with Alberta Innovates and Sustainable Development Technology Canada. The recovery of government grants requires judgement to determine when reasonable assurance exists that the Company has met the conditions contained in the applicable agreements.

## ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 3 "Summary of Significant Accounting Policies" of the Company's audited consolidated financial statements for the year ended December 31, 2020. All accounting policies and methods of computation followed in the preparation of these interim condensed consolidated financial statements are consistent with those of the previous financial year.

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

## BUSINESS RISKS

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

## ADVISORIES

### Forward Looking Statements

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

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

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

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

## ADDITIONAL INFORMATION

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