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, 2021, compared to the year ended December 31, 2020. This MD&A, dated April 11, 2022, 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, 2021, which are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains forward-looking information or statements. Readers are cautioned from placing undue reliance on such statements and should review the cautionary information under *Forward-Looking Statements.*

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 global operations. The Company is focused on clean air technologies that safely and cost effectively improve air quality, support energy efficiency and greenhouse gas emission reductions. The Company designs, manufactures and services high efficiency clean combustion systems that destroy harmful pollutants, including Methane, Hydrogen Sulfide gas, Volatile Organic Hydrocarbons, Hazardous Air Pollutants and BTEX (Benzene, Toluene, Ethylbenzene and Xylene) gases within waste gas streams at 99.99 percent efficiency. This enables its clients to meet emission regulations, reduce greenhouse gas emissions, address community concerns and improve safety at industrial sites.

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

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

CONSOLIDATED FINANCIAL RESULTS

For the year ended December 31,	**2021**	2020
(Stated in CDN$)		
Revenue	**5,503,595**	9,210,718
Gross profit (loss)	**(999,209)**	1,805,410
Loss for the year	**(3,988,385)**	(1,829,876)
Loss per share - basic and diluted	**(0.15)**	(0.07)

As at	**December 31, 2021**	December 31, 2020
(Stated in CDN$)		
Working capital[1]	**16,274,715**	19,300,453
Total assets	**35,047,855**	38,014,911
Total equity	**30,482,081**	33,989,100

[1] Working capital is defined as total current assets less total current liabilities.

2021 HIGHLIGHTS

- The Company maintained a strong financial position at December 31, 2021 including cash and cash equivalents of $14.7 million, working capital of $16.3 million, an undrawn $1.0 million revolving demand loan facility and a $5.0 million capital loan facility.

- The Company's financial performance in 2021 continued to be impacted by the effects of COVID-19 on the global economy which included limited capital spending by its customers during 2021, even though oil and gas prices increased in the period. The Company notes cautious increases in capital spending activity for 2022 by its customers, resulting in more requests for proposals in the last quarter of 2021 and the closing of two tall stack incinerator sales to be delivered in the first half of 2022 for $3.9 million.

- Revenue for the year ended December 31, 2021, decreased $3.7 million compared to 2020. Revenue was $4.5 million in the first quarter of 2020 compared to $1.5 million in 2021, because it had not yet been impacted by the slow down in spending caused by COVID-19, whereas the entire year of 2021 was impacted.

- Loss for the year was $4.0 million compared to a loss of $1.8 million in 2020. The increase in the loss of $2.2 million is a result of $3.7 million lower revenue, $1.2 million of costs related specifically to progressing the commissioning of three waste heat to power facilities in Mexico, higher research and development expenses of $0.3 million, and $0.3 million of bad debt provision taken against potentially uncollectible trade receivables. These costs were offset partially by the Company's efforts to streamline operations and reduce costs during the year and an increase in deferred tax assets which can be used to offset future taxes payable.

- The Company made progress towards completing the commissioning of the waste heat to power facilities in Mexico during 2021. Subsequent to December 31, 2021, the remaining equipment and resources required to complete the project have been secured and the Company is in the process of transporting them to the site. The letters of credit supporting the outstanding trade receivables of $0.9 million expire May 31, 2022.

- The Company has continued to progress its 2021 strategic initiatives by adding strength to the engineering team, restructuring its sales and operational teams and furthering its research and development activities. These efforts will allow the Company to diversify its products and services and provide clean, cost-effective solutions to support its customers to reduce greenhouse gas emissions ("GHG") to achieve their net zero emissions targets in both existing and new markets. The following outlines the significant progress made in 2021:

  - 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 50-1500 kW modular, reliable, high efficiency Waste Heat to Power generation systems ("ORCs"). During 2021, the technical design of the 1500kW turboexpander was completed and the Company initiated purchase orders to procure all of the long lead materials required to build the 1500kW prototype. The Company expects to have the prototype completed and installed at the test site before the end of 2022. Subsequent to the year end, the Company received its first pre-milestone payment from SDTC in the amount of $0.75 million.

  - Subsequent to December 31, 2021, the Company completed the first phase of its integrated emissions data measurement and reporting platform project being worked on in partnership with the Southern Alberta Institute of Technology ("SAIT"). The project resulted in tracking of transparent, immutable and verifiable real-time methane emissions data and the generation and sale of carbon credits. The project costs were largely funded by Alberta Innovates and Western Economic Development.

  - 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 focused on the development of a prototype 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.

  - The Company has been selected to receive funding through the US Department of Energy's Advanced Research Projects Agency Energy "Reducing Emissions of Methane Every Day of the Year" program ("ARPA-E's REMEDY"), in collaboration with University of Michigan and Southwestern Research Institute to develop advanced combustion systems that complements the Company's efforts to reduce methane emissions. The Company's financial contribution to the project is expected to be USD$ 0.1 million over a three-year period.

MARKET OUTLOOK

The global focus on methane emissions reductions continues to increase as noted in the 2021 discussions at the COP26 climate summit in Glasgow, Scotland which included the Canadian government's announcement that there will be a cap placed on Canada's oil and gas emissions by 2025. In 2021, the Canadian government also announced Canada's support for the Global Methane Pledge which aims to reduce global methane emissions by 30 percent below 2020 levels by 2030 and the US Environmental Protection Agency (EPA) issued new rules specific to methane reduction. These types of government pledges are gaining traction around the globe and are translating into customers reaching out to Questor to understand how its products can assist them to meet the regulatory requirements.

The Company is globally recognized as a market leader in clean combustion with its ISO 14034 certified proprietary equipment and is well positioned to meet any increases in global demand with its proven cost-effective technology solutions. However, the effects from COVID-19, continue to impact the global economy and Questor in that customers are still cautious with their 2022 capital spending budgets. In addition, supply chain issues are causing longer lead times for the Company to manufacture and deliver on its projects. The war between Russia and the Ukraine may also have a further impact on global economic recovery in 2022. It is difficult to predict how long these market conditions will continue to negatively impact the financial performance of the Company.

The Company noted some signs of market recovery for its customers during the second half of 2021 including the re-commencement of work previously put on hold and the sale of two tall stack incinerators for $3.9 million to be delivered in 2022. The Company is optimistic that as methane emission intensive industries continue to recover from the pandemic and economic activity increases, combined with both government and investor pressure to reduce methane, 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 cost-effective high efficiency clean combustion systems, waste heat to power and data solutions.

FINANCIAL OVERVIEW – THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2021 VERSUS 2020

	Three months ended December 31,		Twelve months ended December 31,	
For the	**2021**	2020	**2021**	2020
(Stated in CDN$ except gross profit (loss) to revenue is %)				
Revenue	**1,126,850**	2,623,673	**5,503,595**	9,210,718
Cost of sales	**2,073,105**	2,326,131	**6,502,804**	7,405,308
Gross profit (loss)	**(946,255)**	297,542	**(999,209)**	1,805,410
Percent of gross profit (loss) to revenue	**(84)**	11	**(18)**	20

REVENUE

Revenue for the three and twelve months ended December 31, 2021, was $1.1 million and $5.5 million versus $2.6 million and $9.2 million for the same periods in 2020. Details are set out by major business line as follows:

Equipment Sales

Equipment sales for the three and twelve months ended December 31, 2021, were $0.3 million and $2.6 million versus $1.6 million and $4.1 million for the same periods in 2020. The revenue for the three month and twelve months ended December 31, 2021, is lower than 2020 because there were limited sales at the beginning of 2021 compared to Q1,2020 as the economic slow-down created by COVID-19, had not yet impacted the Company's operations significantly in early 2020. The Company notes that although oil and gas prices increased in 2021, capital spending did not increase significantly during the year.

However, the Company has noted small increases in capital spending by its customers for 2022 and announced in September 2021 that they had sold two custom units for $3.9 million. At December 31, 2021, the Company was still in the procurement phase of the contracts due to supply chain issues and therefore no revenue was recognized in 2021 The revenue will be recognized on these contracts based on meeting contractual performance criteria throughout the first half of 2022.

Equipment Rentals

Equipment rentals for the three and twelve months ended December 31, 2021, were $0.6 million and $2.2 million versus $0.7 million and $4.2 million for the same periods in 2020. This represents a decrease of $0.1 million or 14 percent for the three months ended December 31, 2021, largely due to a market driven decrease in prices in 2021 compared to 2020. For the twelve months ended December 31, 2021, revenue decreased $2.0 million or 48 percent because rental utilization for the Company in early 2020 was not impacted by the COVID-19 pandemic whereas 2021 rental utilization was 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. Again, although oil and gas prices have increased, customers are still spending cautiously in early 2022. As a result, in addition to drilling opportunities, the Company is focusing its rental sales efforts on customers performing pipeline blowdowns and equipment maintenance. These non-routine maintenance activities often cause large volumes of methane to be vented and the Company's rental fleet can eliminate this issue for its customers.

Equipment Service

Equipment service for the three and twelve months ended December 31, 2021, was $0.2 million and $0.7 million versus $0.3 million and $1 million for the same periods in 2020. Job volumes are primarily linked to equipment rental and sales activity and were similarly affected in 2021 by the reduction in capital spending by customers as a result of the economic slow-down caused by the COVID-19 pandemic.

GROSS PROFIT (LOSS)

Gross loss was $0.9 million for the three months ended December 31, 2021, compared to a gross profit of $0.3 million for the same period in 2020 or a decrease of $1.2 million. Gross loss for the twelve months ended December 31, 2021, was $1 million versus a profit of $1.8 million for the same period in 2020. The gross loss for 2021 was a result of the Company incurring $1.2 million of costs ($0.9 million for the three months ended December 31, 2021) related to its efforts to progress the final commissioning of three waste heat to power facilities in Mexico.

CORPORATE COSTS

For the	Three months ended December 31, **2021**	2020	Twelve months ended December 31, **2021**	2020
(Stated in CDN$)				
Gross profit (loss)	**(946,255)**	297,542	**(999,209)**	1,805,410
Less corporate costs:				
Administration expenses	**652,399**	736,720	**2,733,306**	3,233,128
Stock based compensation	**54,263**	116,658	**340,590**	236,901
Research and development expenses	**145,348**	18,437	**315,899**	45,043
Depreciation expense of properties and equipment and right-of-use assets	**33,432**	34,090	**134,810**	138,508
Amortization of intangible assets	**54,486**	71,652	**269,442**	286,609
Net foreign exchange losses (gains)	**(29,727)**	277,609	**(73,586)**	(184,977)
Other expenses	**322,782**	16,651	**516,778**	192,009
Loss before tax	**(2,179,238)**	(974,275)	**(5,236,448)**	(2,141,811)
Income tax recovery	**(403,698)**	(88,326)	**(1,248,063)**	(311,935)
Loss for the year	**(1,775,540)**	(885,949)	**(3,988,385)**	(1,829,876)

Administrative Expenses

Administrative expenses for the three and twelve months ended December 31, 2021, were $0.7 million and $2.7 million versus $0.7 million and $3.2 million versus the same period in 2020. The twelve months ended December 31, 2021, benefitted by a reduction in administrative costs of $0.1 million related to the capitalization of direct salary costs to intangible assets and $0.3 million allocation of certain administrative salary and overhead costs to the research and development line item relating to the waste heat to power project during the year.

Consistent with the Company's strategic initiatives to diversify its products and markets, the Company added strength to its engineering and sales teams during 2021 resulting in an increase of $0.3 million to salary expense which was largely offset by decreases in costs for insurance, consultants and professional advisory matters for the three and twelve months ended December 31, 2021, compared to the same periods in 2020.

Stock based compensation

Stock based compensation costs for the three and twelve months ended December 31, 2021, were $0.1 million and $0.3 million versus $0.1 million and $0.2 million for the same period in 2020. The increase in the stock-based compensation expense is primarily due to new grants of restricted share units (RSUs) and performance share units (PSUs) in 2021.

Research and development expenses

Research and development expenses for the three and twelve months ended December 31, 2021, were $0.1 million and $0.3 million versus $nil in the same periods in 2020. These costs relate to certain administrative costs relating to the waste heat to power project and other research and development project costs that do not yet meet the criteria for capitalization.

Depreciation of properties and equipment and amortization of intangible assets

Depreciation and amortization expense during the three and twelve months ended December 31, 2021, are relatively consistent with 2020 as the Company did not expand the rental fleet during the COVID-19 pandemic and amortization of the new waste heat to power intangible assets during 2021 has not yet commenced.

Foreign Exchange Gains/Losses

The Company recorded $nil in foreign exchange for the three months ended December 31, 2021, compared to $0.3 million loss in the same period of 2020 and $0.1 million gain in the year ended December 31, 2021, compared to $0.2 million gain in 2020. Foreign exchange gains and losses arise from the translation of foreign currency denominated transactions during the year as well as the translation of net monetary assets or liabilities that are held in US dollars at the period end.

Other Expenses

Other expenses for the three and twelve months ended December 31, 2021, were $0.3 million and $0.5 million versus nil and $0.2 million during the same period in 2020. Other expenses comprise legal costs relating to the Emissions RX lawsuit discussed later in this MD&A, bad debt expense (recovery), net interest revenue and net gains on the sale of assets for the periods ended December 31, 2021. The majority of items were consistent period over period except for bad debt expense which increased $0.2 million in the period due to a deterioration in the financial viability of certain rental customers in the oil and gas industry.

Income Tax

Income tax recovery for the three and twelve months ended December 31, 2021, was $0.4 million and $1.2 million versus $0.1 million and $0.3 million in the same period in 2020 relating largely to the creation of non-capital losses that can be applied against future taxable profit of the Company. The Company also carried back tax losses in 2021 to prior periods which resulted in a cash refund during the period of $0.3 million.

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 twelve months ended December 31,	**2021**	2020
(Stated in CDN$)		
Cash provided by (used in):		
Operating activities	**(1,129,838)**	2,307,690
Investing activities	**(601,842)**	(142,015)
Financing activities	**87,536**	920,797
Increase (decrease) in cash	**(1,644,144)**	3,086,472

Operating Activities

Operating activities for the twelve months ended December 31, 2021, used $1.1 million versus providing $2.3 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 twelve months ended December 31, 2021, used $0.6 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

Cash provided by financing activities for the twelve months ended December 31, 2021, was $0.1 million versus $0.9 million for the same period in 2020. Financing activities during the twelve months ended December 31, 2021, include cash inflows on the issuance of common shares related to employee-exercised stock options of $178,750 (2020 - $226,752) and the receipt of government grant funding in the amount of $120,000 (2020 - $966,187). Financing outflows consist of lease obligation repayments of $211,214 (2020 - $272,142).

For the twelve months ended December 31, 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, 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 twelve months ended December 31, 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 December 31, 2021, the Company complied with the financial covenants associated with its credit facilities.

		Actual	
For the twelve months ended December 31,	Covenant	**2021**	2020
Working capital ratio (total current assets/total current liabilities) not to fall below	1.25x	**6.0x**	12.1x
Debt service ratio (net operating income/debt servicing costs) must be greater than	1.25x	**No borrowings***	No borrowings*
Total debt to tangible net worth not to exceed	2.50x	**0.15x**	0.12x

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

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As at the date of this MD&A, the Company had 27,761,858 common shares outstanding. At December 31, 2021, the Company had 317,625 employee stock options, 362,735 RSUs, and 173,453 PSUs outstanding. Subsequent to December 31, 2021, the Company granted a further 30,000 RSU's to an employee. 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. At December 31, 2021, there were 1,922,373 (2020 – 1,563,281) share based payments issued and outstanding out of 2,776,186 (2020 – 2,741,012) available for issuance.

SUMMARY OF QUARTERLY RESULTS

For the three months ended	**Dec 31, 2021**	Sep 30, 2021	June30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	June 30, 2020	Mar 31, 2020
(CDN$ '000's except amounts per share)								
Revenue	**1,127**	1,644	1,184	1,548	2,624	1,067	1,031	4,489
Gross profit (loss)	**(946)**	38	(127)	36	298	(442)	(37)	1,987
Profit (loss) for the period	**(1,776)**	(453)	(873)	(886)	(885)	(962)	(1,248)	1,265
Per share – basic	**(0.06)**	(0.02)	(0.03)	(0.03)	(0.03)	(0.04)	(0.05)	0.05
Per share – diluted	**(0.06)**	(0.02)	(0.03)	(0.03)	(0.03)	(0.04)	(0.05)	0.05

COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has the following contractual undiscounted cash outflows as detailed below:

As at December 31, 2021	1 Year	2-3 Years	4-5 Years	Total
(Stated in CDN$)				
Trade payables, accrued liabilities	893,887	-	-	893,887
Lease obligations (principal and interest)	146,876	286,261	-	433,137
Lease obligations (operating costs) [1]	112,064	$214,789	-	326,853
Repayable government assistance	-	643,200	322,987	966,187
	1,152,827	1,144,250	322,987	2,620,064

[1]The Company is required under its lease commitments to pay annual operating costs. The amounts can vary each year based on inflation.

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.

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.

The Company has no off-balance sheet arrangements other than short term leases.

FINANCIAL RISK MANAGEMENT

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

Fair values

IFRS establishes a three-level hierarchy that prioritizes the inputs relative to the valuation techniques used to measure fair value. Fair values of assets and liabilities include in Level 1 of the hierarchy are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair value of assets and liabilities in Level 2 are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair value of assets and liabilities in Level 3 are determined based on inputs that are unobservable and significant to the overall fair value measurement. Accordingly, the Company has categorized its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. At December 31, 2021 and 2020, Questor did not have any financial assets or liabilities measured at fair value on a recurring basis using Level 1 or Level 3.

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

Credit risk

Credit risk arises from the potential that one or more counterparties fail to meet their obligations.

Substantial amounts of the Company's trade and other receivables, which relate to the Company's revenues, are with customers in the oil and gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. Payment terms with customers vary by contract. Standard payment terms are 30 days from invoice date.

The Company's aged net trade and accrued accounts receivable at December 31, 2021 and 2020 are as follows:

For the years ended December 31,	**2021**	2020
(Stated in CDN$)		
Current	**1,861,482**	850,985
31 – 60 days	**273,099**	295,360
61 – 90 days	**33,110**	137,513
Greater than 90 days	**900,068**	933,962
Trade and other receivables, net of allowance	**3,067,759**	2,217,820
Contract assets	**87,170**	76,010
Total trade, contract assets and other receivables	**3,154,929**	2,293,830

IFRS 9, Financial Instruments requires an entity to estimate its expected credit loss for all trade accounts receivable and contract assets even when they are not past due based on the expectation that certain receivables and contract assets will be uncollectible. For accounts receivable and contract assets, a loss allowance matrix is utilized to measure expected credit losses. The matrix contemplates historical credit losses by age of receivables, adjusted for any forward-looking information and management expectations. In addition, the Company has provided for specific items where there is collection risk. The total expected credit loss allowance as of December 31, 2021 is $279,737 (2020 - $78,933).

At December 31, 2021, the Company's receivables greater than 90 days includes one contract for an amount of $868,315. The Company has delivered the equipment to the client however, has not been able to complete the commissioning due to travel restrictions and related safety issues. While the customer has an obligation to pay for the equipment, the payment is not due until commissioning is completed. The Company has now secured all necessary materials and supplies and is currently in the process of transporting them to the site and re-deploying the team to finish the commissioning as these letters of credit expire on May 31, 2022.

There is also risk associated with dependence on a few customers for a significant amount of the Company's revenue. The Company notes that equipment sales revenue comes in large amounts but from different customers each year. The Company bills and collects revenue throughout the contract for any custom-built units which reduces collection risk. However, there is a concentration of rental revenue and related service and repair revenue that has greater collection risk due to the nature of the receivables.

During the year ended December 31, 2021, there was one customer who comprised 40 percent of total rental, service and repair revenue and in 2020 there were four customers who individually comprised more than 10 percent of the rental, service and repair revenue and in total comprised 62 percent of the Company's rental, service and repair revenue. No other customers comprised greater than 10 percent of the total rental, service and repair revenue.

Liquidity risk

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 banking and credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending to maintain liquidity. The Company has positive net working capital as of December 31, 2021 of $16,274,715 (2020 - $19,300,453). The Company expects that cash and cash equivalents and funds generated from operations will provide sufficient capital resources and liquidity to fund operations in 2022.

Foreign currency risk

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in US dollars. The impact of this exposure is recorded as a cumulative translation adjustment in other comprehensive income. The net exchange difference in 2021 is a gain of $37,974 and in 2020 it was a loss of $21,656.

The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on sales and purchases of products and services from vendors primarily in the United States however some of the risk is mitigated by the Canadian company holding cash and cash equivalents denominated in U.S. dollars to fund US dollar purchases. A change of 5 percent in the value of the US dollar on the Company's financial instruments (cash, trade, contract assets and other receivables, accounts payable and accrued liabilities) would have had an impact on net loss of approximately $250,000 (2020-$210,000).

To date, the Company 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. In addition to their salaries and directors' fees, the Company also provides non-cash benefits including participation in the Company's stock option, RSU and PSU plans.

For the years ended December 31,	**2021**	2020
(Stated in CDN$)		
Salaries, director's fees and other short-term employee benefits	**821,643**	804,840
Share based compensation	**344,322**	179,295
	1,165,965	984,135

The Company has an executive officer employment agreement that stipulates in the event of termination without cause or resignation following constructive dismissal 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.

ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

The Company's significant accounting policies and future accounting pronouncements are provided in note 3 of the Annual Consolidated Financial Statements for the years ended December 31, 2021 and 2020.

CRITICAL ACCOUNTING ESTIMATES

Revenue recognition
Revenues are recorded when products have been delivered or services have been performed, the amount of revenue can be reliably measured and collectability is reasonably assured. Customer creditworthiness is assessed prior to agreement signing, as well as throughout the contract duration. Equipment sales revenue for custom units is recognized based on performance over-time. Performance is measured primarily based on the milestones achieved throughout the contract which approximates the value to the customer relative to the total expected value. Where the outcome of performance obligations cannot be reliably measured, contract revenue is either deferred on the statements of financial position or recognized in the current year to the extent that costs have been incurred until such time that the outcome of the performance obligations can be reasonably measured. Significant judgement is required to assess whether there is an alternative use for the input materials before the commencement of the manufacturing process. Significant estimation assumptions are required to estimate total contract costs, which are recognized as expenses in the year in which they are incurred.

Onerous Contract
When it is probable that total contract costs will exceed total contract revenue it is called an onerous contract and the expected loss is recognized as an accrued liability and an expense in cost of sales on the statement of comprehensive income (loss). Significant estimation assumptions are required to estimate remaining costs of the contract.

Componentization and useful lives of property and equipment and intangible assets
Amounts recorded for depreciation and amortization expense are based on the Company's componentization of its property and equipment and intangible assets and management's estimates of the useful life, pattern of consumption of future economic benefits and residual value of the Company's property and equipment and intangible assets. These estimates affect the carrying amount of property and equipment and intangible assets.

Determining CGUs
For the purpose of assessing impairment of non-financial assets, the Company must determine its cash-generating units (CGUs). Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. The determination of a CGU is based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets.

Impairment of non-financial assets
The determination of whether indicators of impairment exist is based on management's judgment of whether there are internal and external factors that would indicate that a non-financial asset is impaired. The recoverable amounts used for impairment calculations may require estimates of future net cash flows related to the assets or CGU's, probability of successful contract proposals and estimates of discount rates applied to these cash flows, or consideration of the Company's market capitalization as compared to the CGU's carrying amount. The Company also assesses whether there are circumstances that indicate that previously impaired assets are now recoverable and need to be increased to their original carrying values.

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.

Share-based payments
The Company's share-based compensation expense is subject to measurement uncertainty as a result of estimates and assumptions related to the expected performance multiplier, forfeiture rates, expected life, and underlying volatility of the price of the Company's common shares.

Taxation
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 monitors current and potential changes to Canadian and foreign tax laws and bases its estimates on the best available information at each reporting date. The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates, and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

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 lifetime expected credit losses (ECL) on receivables for which there has been a significant increase in credit risk since initial recognition. The Company measures loss allowances based on historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

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. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgment to assess the likelihood of the occurrence of one or more future events.

Right-of-use assets and lease liabilities
Lease liabilities and ROU assets require the use of judgment and estimates which are applied in determining the term of a lease, appropriate discount rates, whether an arrangement contains a lease, whether there are any indicators of impairment for ROU assets and whether any ROU assets should be grouped with other long-lived assets for impairment testing.

Capitalization of research and development costs
Determining the commencement of capitalization of development costs requires significant judgement to determine when the criteria for capitalization in accordance with IFRS has been met.

Government grants
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.

BUSINESS RISKS

The business of the Company is subject to certain risks and uncertainties. The COVID-19 pandemic and resulting supply chain issues and slowdown of the global economy, increases the Company's exposure to many of the risks described below. There is a risk that the effects of the COVID-19 pandemic and war between Russia and the Ukraine, and the global response thereto, may result in a prolonged continuation of adverse business conditions affecting the Company's operations, continued volatility in financial markets and foreign currency exchange rates, inflation, significantly depressed share prices, health restrictions adversely affecting the ability of the Company or third parties to efficiently conduct operations and/or a continued slowdown in the recovery of the global economy. These and other risks associated with the COVID-19 pandemic could result in events and circumstances that have a material adverse impact on the Company's business, financial condition and results of operations.

Prior to making any investment decision, 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 "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 is 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.

Equipment Levels

The quantity of oilfield service equipment does not always correlate with the level of actual demand for that equipment due to the long-life nature of the equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service. 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 reduce pricing leading to decreased rates generally in the oilfield services industry, 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 its customers at competitive prices. The principal competitive factors within the Company's operating markets are product and service quality and availability, technical knowledge and experience, and safety reputation and price. The Company may compete with large national and multinational 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.

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, 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.

Environment Laws and Regulations

The Company is subject to increasingly stringent and complex 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.

Changes to environmental regulations relating to climate change could impact the demand for, formulation or quality of the Company's products, or could require increased capital expenditures, operating expenses, abandonment and reclamation obligations and distribution costs, which may not be recoverable in the marketplace and which could result in current operations or growth projects becoming less profitable or uneconomic.

Operational Risks

The Company's operations are subject to hazards such as equipment malfunction and failures, and natural disasters which 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.

Reputational

Maintaining a positive reputation in the eyes of its customers, regulators, communities and the general public is an important aspect of the implementation of the Company's business strategy. The Company's reputation may be adversely impacted by the actions and activities it undertakes, as well as the activities of its employees. In addition, the Company's reputation could be affected by the actions and activities of other companies operating in the energy industry and by general public perceptions of the energy industry, over which the Company has no control.

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.

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.

Intellectual Property
The success and ability of the Company to compete depends heavily on its proprietary technology. 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 time consuming 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.

Cybersecurity
Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in the Company's critical systems. Risks associated with these attacks include, among other things, loss of intellectual property, disruption of the Company's and the Company's customers' business operations and safety procedures, loss or damage to the Company's data delivery systems, unauthorized disclosure of personal information and increased costs to prevent, respond to or mitigate cybersecurity events. Although the Company uses various procedures and controls to mitigate its exposure to such risk, cybersecurity attacks are evolving and unpredictable. The occurrence of such an attack could go unnoticed for a period of time. Any such attack could have a material adverse effect on the Company's business, financial condition and results of operations.

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’s growth could be limited due to its inability to find qualified workers as and when needed. Shortages of qualified personnel have occurred in the past during periods of high demand. The Company's success depends on its ability to continue to employ and retain qualified technical 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.

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, 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 globally; 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.