MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is dated April 12, 2023 and is a review of Questor Technology Inc.'s ("Questor" or the Company") financial condition and results of operations prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the audited consolidated financial statements and notes of Questor as at December 31, 2022. This MD&A contains forward-looking information or statements. Readers should review the legal advisory related to this under the *Forward-Looking Statements* section of this MD&A.

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 per its ISO 14034 certification. 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 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 – 4th Avenue S.W. Calgary, Alberta, Canada, T2P 3N3.

CONSOLIDATED FINANCIAL RESULTS

For the	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021
(Stated in CDN $)				
Revenue	**1,664,962**	1,126,850	**8,380,827**	5,503,595
Gross profit (loss)	**486,695**	(946,255)	**2,033,774**	(999,209)
Loss for the period	**(890,370)**	(1,775,540)	**(1,726,212)**	(3,988,385)
Loss per share - basic and diluted	**(0.03)**	(0.06)	**(0.06)**	(0.15)

As at	December 31, 2022	December 31, 2021
(Stated in CDN $)		
Working capital [1]	**15,005,682**	16,274,715
Total assets	**33,872,553**	35,047,855
Total equity	**29,194,788**	30,482,081

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

The Company's financial performance in the three and twelve months ended December 31, 2022 has improved compared to 2021. Revenue for the three and twelve months ended December 31, 2022 was $1.7 million and $8.4 million versus $1.1 million and $5.5 million for the same periods in 2021. This is an increase of 55 percent and 53 percent compared to the three and twelve months ended December 31, 2021. The improvement results from increased sales activity, particularly in Canada where demand for tall stack units in the Montney region is high due to the ability of the Company's equipment to eliminate toxic sour gas in addition to the elimination of methane emissions.

Gross profit (loss) increased $1.4 million and $3.0 million for the three and twelve months ended December 31, 2022 compared to the same periods in 2021. These increases in gross profit are due to improved equipment sales and rentals and associated margins as well as the Company's continued focus on cost control. The improvement in gross margin was partially offset by $0.6 million additional commissioning costs incurred for the waste heat to power project in Mexico during the year with no associated revenue.

Loss decreased $0.9 million and $2.3 million for the three and twelve months ended December 31, 2022 compared to the same periods in 2021. The reduction in loss for the year was partially offset by an allowance for doubtful accounts of $1.0 million related to the Company's long outstanding receivable on the Mexico project as the letters of credit securing the receivable have expired. The Company is working on a solution to the issue the customer has with lack of sufficient heat to run the power generation equipment and finish commissioning. The Company is also working with this customer to re-establish the letters of credit.

The Company maintained a strong financial position at December 31, 2022 including cash and cash equivalents of $8.9 million, short-term investments of $6.3 million and working capital of $15.0 million.

2022 HIGHLIGHTS AND SUBSEQUENT EVENTS

Late in the fourth quarter of 2022, the Company issued press releases announcing it had received purchase orders totaling $2.3 million for three tall-stack clean combustion units to be completed in 2023. Subsequent to the year end, a further $0.3 million of committed purchase orders for equipment have been received.

During the year, the Company continued its research and development on its waste heat to power project and in the fourth quarter started receiving materials to assemble the prototype for its 1500kw unit.

In prior years, the Company filed a claim against three former employees and their company, Emission Rx. The three former employees resigned from the Company over a period of two months, in 2018. After the former employees resigned, the Company learned that the former employees had incorporated Emission Rx on November 14, 2017, several months prior to their departures, and had developed a low-pressure burner technology which they then marketed and sold through Emission Rx. The Company sought injunctive relief to prevent Emission Rx competing in the market against the Company and infringing the Company's intellectual property. The Company asserts ownership of Emission Rx's LP Burner Technology, through the terms of the employment agreements signed by the three former employees or the application of the common law. The court declined to issue the injunction in 2019, however ordered the defendants to deliver all remaining confidential information belonging to the Company. The court's decision included the statement that the Company has demonstrated that it has a prima facie case with respect to its claim that the defendants breached their fiduciary duties and contractual duties of confidentiality. The Company applied to the court to order additional disclosure of evidence from the Defendants, which the court granted in September 2022. The Defendants have since provided further disclosure and have purported to correct evidence previously given in court. The Company is applying to the court for a finding of contempt against the Defendants.

MARKET OUTLOOK

The regulatory environment in North America and globally continues to develop favorably for the Company's products as regulators, investors and the public put pressure on industry to reduce flaring and venting in order to reduce methane and other harmful emissions from their operations. The Company's existing rental fleet of clean combustion units and our strong reputation for providing reliable, high performing proprietary equipment for sale across the entire value chain, positions Questor to capitalize on the rapidly growing emissions reduction market.

The U.N. Intergovernmental Panel on Climate Change (IPCC) report stated that the world is likely to surpass the goal of limiting warming to 1.5 degrees Celsius above preindustrial temperatures by the early 2030s. According to the report the world is on the brink of catastrophic warming and methane emissions must fall for the world to hit this temperature target. There is global recognition that cutting methane emissions to the atmosphere is the fastest way to reduce near term warming and is necessary to keep a 1.5°C temperature limit within reach. Climate scientists have turned their focus on methane as "carbon dioxide on steroids," because it is short-lived but a highly intensive climate pollutant that possesses more than 80 times the warming power of carbon dioxide during its first two decades in the atmosphere. The World Meteorological Organization Provisional State of the Global Climate 2022 reported that methane levels in the atmosphere are continuing to climb to new highs, reaching 262 percent of pre-industrial levels. As a result, more than 130 countries have signed the Global Methane Pledge to reduce global methane emissions by 30 percent below 2020 levels by 2030.

A report in November of 2022 by the Global Energy Monitor shows that just 30 oil and gas companies are responsible for 43 percent of the energy sector's global methane emissions. Some of the identified companies are large international public companies who are facing increased pressure from their investors and regulators to have a plan to reduce their methane emissions and who have committed to cut fugitive emissions of methane, a potent greenhouse gas, to near zero by 2030. Various methane detection technologies are forcing companies to act as they highlight how large the problem is and where it is occurring. The Associated Press had reported that 533 oil and gas facilities were emitting excessive amount of methane in the Permian and the Environmental Protection Agency ("EPA") responded by flying a helicopter equipped with a special infrared camera that can detect emissions of hydrocarbon vapers that are invisible to the naked eye and is taking action where it determine there are Clean Air Act violations. This action includes both large fines and a requirement to eliminate the emission sources.

Many major countries including Canada and the United States ("U.S.") have unveiled significant funding and regulatory overhauls with an aim to reduce global methane emissions. Recent U.S. policy addresses methane emissions from the fossil fuel industry, including a significant new fee imposed on methane leaks, enacted as part of the Inflation Reduction Act. The Inflation Reduction Act ("IRA"; H.R. 5376) recently passed is the most significant investment the U.S. government has made in fighting climate change, putting more than $369 billion toward projects that will reduce planet-warming emissions. The IRA includes supplemental appropriations of $850 million to the Environmental Protection Agency and $700 million for "marginal conventional wells" to provide grants to facilities subject to the methane charge for a range of objectives, including "improving and deploying industrial equipment and processes" that reduce methane emissions. These funds could support technology adoption at smaller oil and natural gas facilities or sites where the volumes are insufficient to justify infrastructure capital but significant enough to require technology like Questor's to ensure that methane and other hazardous pollutants are destroyed at a guaranteed high efficiency. The IRA will also impose a fee of "$900 per metric ton of methane starting in 2024, increasing to $1,500 per metric ton after two years".

Other countries such as Ecuador and Nigeria are looking at eliminating the oil and gas industry's long permitted practice of gas flaring which is providing significant opportunity for Questor. Many of the flares in these countries are far away from infrastructure and require practical cost-effective solutions such as Questor's clean combustion technology which is an enclosed unit and can be paired with the Company's waste heat to power to efficiently utilize the heat from the unit. In fact, the oil and gas regulator in Nigeria has granted approval to conduct a pilot to use Questor's equipment to demonstrate the opportunity to eliminate flaring onshore.

Satellite, helicopter and airplane flyovers with methane detection equipment is illustrating how significant the methane emissions are in the oil and gas industry from routine and non-routine flaring. For example, in the US our rental fleet is being used to support pipeline companies during their maintenance and repair activity. Combusting this vented gas efficiently with Questor's clean combustion equipment has reduced greenhouse gas emissions by over 90% at a cost of less than $1/tonne of CO_2e. This gas is sometimes flared but research has shown that flares are not as efficient as they were thought to be. A recent investigation in the Permian by the Environmental Defense Fund has found that 11% of the flares they reviewed were malfunctioning with 5% of them unlit, venting all the methane sent to them.

The Company's ISO 14034 verified 99.99% efficient, clean, enclosed, combustion technology, is being considered widely as a way to reduce methane emissions from the oil and gas industry including both offshore and onshore petroleum and oil and natural gas production; oil and natural gas processing; natural gas transmission compression; underground natural gas storage; liquefied natural gas storage; liquefied natural gas import and export equipment; onshore petroleum and natural gas gathering and boosting; and onshore natural gas transmission pipelines.
Requests for proposals for our clean combustion solutions have increased significantly during 2022 and into 2023, from both international and domestic companies, who are exploring opportunities to use Questor's integrated solutions to reduce greenhouse gas emissions, which include the elimination of flaring and venting to meet the new regulations focused on methane. The continued pressure from the public, regulators and investors is expected to result in companies focusing their efforts to reduce emissions resulting in increased demand for solutions that the Company's cost-effective, high efficiency, clean combustion systems, waste heat to power and data offerings can immediately provide. To respond to the opportunities presented by this rapidly growing emissions reduction market, the Company is increasing its operations and sales capability to service opportunities both in North America and the international market.

FINANCIAL OVERVIEW – THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

	Three months ended December 31,		Twelve months ended December 31,	
For the	**2022**	2021	**2022**	2021
(Stated in CDN $)				
Revenue	**1,664,962**	1,126,850	**8,380,827**	5,503,595
Cost of sales	**1,178,267**	2,073,105	**6,347,053**	6,502,804
Gross profit (loss)	**486,695**	(946,255)	**2,033,774**	(999,209)
Percent of gross profit (loss) to revenue	**29**	(84)	**24**	(18)

REVENUE

Revenue for the three and twelve months ended December 31, 2022 was $1.7 million and $8.4 million versus $1.1 million and $5.5 million for the same periods in 2021. This was an increase of 55 percent and 53 percent respectively broken down as follows:

Equipment Sales

Equipment sales for the three and twelve months ended December 31, 2022 were $0.6 million and $4.8 million, an increase of $0.3 million and $2.2 million compared to the same periods in 2021, due to increased sales activity, particularly in Canada where demand for tall stack units in the Montney region is high due to the ability of the Company's equipment to eliminate toxic sour gas and methane emissions.

Late in the fourth quarter of 2022, the Company announced it had received further purchase orders totaling $2.3 million for three tall stack clean combustion units to be started and completed in 2023. Subsequent to the year end a further $0.3 million of committed purchase orders for equipment have been received.

Equipment Rentals

Equipment rentals for the three and twelve months ended December 31, 2022 was $0.8 million and $2.7 million, an increase of $0.2 million and $0.5 million, or an increase of 33 percent and 23 percent compared to the same periods in 2021 due to increased rental activity, primarily in Colorado. The Company continues to focus 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 pollutant for its customers.

Equipment Service

Equipment service for the three and twelve months ended December 31, 2022 increased 19 percent to $0.3 million and 12 percent to $0.8 million compared to the same periods in 2021. Job volumes are primarily driven by equipment rental and sales.

GROSS PROFIT (LOSS)

Gross profit (loss) has increased $1.4 million and $3.0 million for the three and twelve months ended December 31, 2022 compared to the same periods in 2021. This significant increase is a result of more equipment sales in 2022 as well as a continued focus on reducing operating costs which has driven improvements in overall margins. This significant improvement in gross profit was partially offset by $0.6 million additional costs being incurred for the waste heat to power project in Mexico during the year.

CORPORATE COSTS

For the (Stated in CDN $)	Three months ended December 31, 2022	2021	Twelve months ended December 31, 2022	2021
Gross profit (loss)	**486,695**	(946,255)	**2,033,774**	(999,209)
Less corporate costs:				
Administration expenses	**685,578**	652,399	**3,085,292**	2,733,306
Research and development expenses	**165,157**	145,348	**469,687**	315,899
Share based payments	**43,626**	54,263	**384,903**	340,590
Depreciation expense	**31,968**	33,432	**129,891**	134,810
Amortization of intangible assets	**35,032**	54,486	**140,125**	269,442
Net foreign exchange gains	**(32,522)**	(29,727)	**(346,036)**	(73,586)
Other expenses	**792,496**	322,782	**657,302**	516,778
Loss before tax	**(1,234,606)**	(2,179,238)	**(2,487,390)**	(5,236,448)
Income tax recovery	**(344,236)**	(403,699)	**(761,178)**	(1,248,063)
Loss for the year	**(890,370)**	(1,775,539)	**(1,726,212)**	(3,988,385)

Administration Expenses

Administration expenses for the three and twelve months ended December 31, 2022 were $0.7 million and $3.1 million compared to $0.7 million and $2.7 million in 2021. Administration expenses in 2022 benefitted from the receipt of $0.3 million of COVID-19 related subsidies compared to $0.7 million in 2021. Excluding these subsidies, overall administration costs have remained flat in spite of increases in professional fees, due to the Company's continued focus on cost control.

Share Based Payments

Share based payments for the three and twelve months ended December 31, 2022 were consistent compared to the same periods in 2021.

Research and Development Expenses

Research and development expenses have increased $0.2 million during 2022 due to increased activity on the waste heat to power project.

Depreciation and Amortization Expenses

Depreciation and amortization expense is consistent year over year as there have been no significant additions to property and equipment and the increase in intangible assets is for a project that is still in development.

Net Foreign Exchange Gains/Losses

The foreign exchange gains increased $0.3 million for year ended December 31, 2022 compared to 2021. Foreign exchange gains and losses for the Company fluctuate primarily based on the change in the U.S. dollar relative to the Canadian dollar.

Other Expenses

Other expenses have increased for the three and twelve months ended December 31, 2022 due to establishing an allowance for doubtful accounts of $1.0 million related to its long outstanding receivable on the Mexico project due to of the expiry of the letters of credit. This increase is largely offset by $0.1 million insurance proceeds received relating to a damaged rental unit that had been written off in a prior year, increased interest revenue and decreased legal costs relating to the Emission Rx lawsuit.

Income Tax

Income tax recovery for the three and twelve months ended December 31, 2022 was $0.3 million and $0.8 million relating largely to the Company carrying back tax losses to prior periods which resulted in a cash refund during 2022 of $0.8 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, short-term investments and debt management, which includes monitoring forecasts of the Company's cash and cash equivalents on the basis of projected cash flow.

The Company has positive net working capital of $15.0 million at December 31, 2022, (December 31, 2021 - $16.3 million). As a result, the Company amended its bank facilities agreement and cancelled its $1 million operating loan and $5 million capital loan facilities. The bank released its general security agreement over the Company's assets. The Company retained the $100,000 letter of credit of guarantee facility for use with suppliers and its corporate credit card program. The Company put $200,000 and USD$40,000 of cash into a one-year redeemable term deposits as general security for these remaining facilities. These term deposits mature on June 30, 2023 and bear fixed rates of interest of 3.09% and 2.55% respectively. None of the remaining facilities are subject to standby fees and there is no specified facility expiration or renewal date.

	Three months ended December 31,		Twelve months ended December 31,	
Cash flow for the	**2022**	2021	**2022**	2021
Cash provided by (used in):				
Operating activities	**818,109**	(1,833,801)	**1,522,072**	(1,129,838)
Investing activities	**(6,447,837)**	850,802	**(7,900,481)**	(601,842)
Financing activities	**(74,552)**	(624,832)	**637,816**	87,536
Decrease in cash	**(5,704,280)**	(1,607,831)	**(5,740,593)**	(1,644,144)

Operating Activities

Operating activities for the three months and year ended December 31, 2022, provided cash of $0.8 million and $1.5 million. The prior year there were operating cash outflows of $1.8 million and $1.1 million for the three and twelve months ended December 31, 2021. This significant improvement in operating cash flows is due to higher revenue and gross profit margins as well as $0.8 million of cash received during 2022 related to the utilization of tax loss carrybacks.

Investing Activities

Investing activities for the three and twelve months ended December 31, 2022, used $6.4 million and $7.9 million as the Company invested $6.3 million of its cash into a series of one-year redeemable guaranteed investment certificates and term deposits to take advantage of higher interest rates (weighted average interest rate is 4.76%). The Company also invested $1.6 million for intangible assets related to its development activities with respect to its modular, high efficiency waste heat to power generation systems.

Financing Activities

Net cash provided by financing activities for the three months ended December 31, 2022 was nil, and cash was $0.6 million for the twelve months ended December 31, 2022, comprising government grant funding in the amount of $ $0.9 million offset by lease payments of $0.3 million.

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 27,933,299 common shares outstanding. The Company has share-based payment plans comprising restricted, performance and deferred share unit plans as well as a stock option plan. The maximum number of equity-based compensation units in aggregate under these plans that may be reserved for issuance shall not exceed 10 percent of the outstanding common shares of the Company. As at the date of this MD&A, there were 798,227 share-based payments issued and outstanding leaving 1,995,103 available for issuance.

SUMMARY OF QUARTERLY RESULTS

For the three months ended	**Dec 31, 2022**	Sep 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	June 30, 2021	Mar 31, 2021
(CND$ '000's except amounts per share)								
Revenue	**1,665**	1,674	2,454	2,588	1,127	1,644	1,184	1,548
Gross profit (loss)	**487**	484	432	631	(946)	38	(127)	36
Loss for the period	**(890)**	(12)	(458)	(366)	(1,776)	(453)	(873)	(886)
Per share – basic and diluted	**(0.03)**	(0.00)	(0.02)	(0.01)	(0.06)	(0.02)	(0.03)	(0.03)

COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET ARRANGEMENTS

Contractual undiscounted cash outflows at December 31, 2022	1 Year	2-3 Years	4-5 Years	Total
Trade payables, accrued liabilities	$970,503	$ -	$	$970,503
Purchase commitments [(1)]	1,160,797	-	-	1,160,797
Onerous contract	113,037	-	-	113,037
Lease obligations (principal and interest)	279,490	193,517	-	473,007
Lease obligations (operating costs and property tax) [(2)]	177,046	150,961	-	328,007
Repayable government assistance	321,600	644,587	-	966,187
	$3,022,473	$ 989,065	$	$4,011,538

[(1)] *Purchase commitments for materials required to build the 1500kw prototype unit for its waste heat to power research and development project.*
[(2)] *The Company is required under its lease commitments to pay annual operating costs. The amounts can vary each year based on inflation.*

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

The Company asserts ownership of Emission Rx's LP Burner Technology, through the terms of the employment agreements signed by the three former employees or the application of the common law. The court declined to issue the injunction in 2019, however ordered the defendants to deliver all remaining confidential information belonging to the Company. The court's decision included the statement that the Company has demonstrated that it has a prima facie case with respect to its claim that the defendants breached their fiduciary duties and contractual duties of confidentiality. The Company applied to the court to order additional disclosure of evidence from the Defendants, which the court granted in September 2022. The Defendants have since provided further disclosure and have purported to correct evidence previously given in court. The Company is applying to the court for a finding of contempt against 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 will have a material adverse effect on its consolidated financial position.

FINANCIAL RISK MANAGEMENT

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

Fair values

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

Credit risk

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

The Company's aged trade, contract assets and other receivables net of allowance at December 31, 2022 and 2021 are as follows:

For the years ended December 31,	**2022**	2021
Current[(1)]	**$1,100,633**	$1,948,652
31 - 60 days	**435,925**	273,099
61 - 90 days	**66,396**	33,110
Greater than 90 days	**230,185**	900,068
Total trade, contract assets and other receivables, net of allowance	**$1,833,139**	$3,154,929

[(1)] Total contract assets are $277,034 (2021 - $87,170) and have been included in current above.

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 numbers 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. The total expected credit loss allowance as of December 31, 2022 to receivables not specifically provided for is less than $0.1 million in 2022 and 2021.

In addition, the Company has provided for specific items where there is collection risk in the amount of $1.1 million (2021 - $0.2 million). The increase in specific items provided for during the year largely relates to a receivable of $1.0 million (2021 - $0.9 million) for equipment delivered in prior years and certain other costs incurred during the current year in accordance with the contract. The final payment of the amount owing is tied to completion of commissioning at three sites and was secured by letters of credit. The Company announced in December 2022, that the customer was not able to provide sufficient heat to run the power generation equipment for enough time to complete the testing and commissioning. The Company is working with this customer on a plan to resolve the issue and collect the funds remaining. However, because the plan is not finalized and the letters of credit have expired, the Company has set up an allowance against the amount owing to provide for any collection risk.

The Company is also exposed to the risk of dependence on a few customers for a significant amount of the Company's revenue. The Company notes that equipment sales revenue which comprises a significant portion of total revenue, generally relates to a small number of customers each year but these customers change each year. The Company bills and collects equipment revenue throughout the contract which reduces collection risk. There is a concentration of rental and related service repair revenue. For the year ended December 31, 2022, there were two customers who comprised 78 percent of total rental, service and repair revenue. In 2021 there was one customer who comprised 40 percent of total rental, service and repair revenue.

Liquidity risk

The Company's principal sources of liquidity are cash and investments, 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, 2022 of $15.0 million (2021 - $16.3 million).

Foreign currency risk

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in USD. The impact of this exposure is recorded as a cumulative translation adjustment in other comprehensive income. The net exchange difference in 2022 is a gain of $54,016 and in 2021 it was a loss of $37,974. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on sales and purchases of products and services from vendors primarily in the United States which resulted in a foreign exchange gain of $0.3 million for the year ended December 31, 2022 (2021 – gain of $73,586). The Company mitigates some of the foreign currency risk by keeping a U.S. dollar bank account to receive U.S. payments and fund U.S. dollar purchases in the Canadian entity.

RELATED-PARTY TRANSACTIONS

The Company defines key management personnel as being the Directors of the Board, Chief Executive Officer and Chief Financial 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, PSU and DSU plans. Total expense for the year ending December 31, 2022 including salaries, director fees, benefits and share based compensation is $1.1 million (2021 - $1.2 million).

The Company has an executive officer employment agreement that stipulate 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 year ended December 31, 2022.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. Significant estimates and judgements made in the preparation of the consolidated financial statements are outlined below:

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 cash generating units

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 criteria 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 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 out 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.

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 market 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.

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, 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.