Independent auditor’s report

To the Shareholders of Questor Technology Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Questor Technology Inc. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company’s consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders’ equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Courtney Kolla.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 11, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Stated in Canadian dollars

	Notes	**December 31, 2021**	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		**$14,660,080**	$16,307,029
Trade, contract assets and other receivables	22	**3,154,929**	2,293,830
Inventories	4	**1,183,890**	1,934,690
Prepaid expenses and deposits	5	**412,443**	364,791
Current tax assets	13	**153,339**	140,471
Total current assets		**19,564,681**	21,040,811
Non-current assets			
Property and equipment	6	**13,789,935**	15,978,181
Right-of-use assets	7	**587,541**	418,132
Intangible assets	8	**958,198**	524,119
Deferred tax assets	13	**147,500**	53,668
Total non-current assets		**15,483,174**	16,974,100
Total assets		**$35,047,855**	$38,014,911
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables, accrued liabilities and provisions		**$893,887**	$1,042,053
Onerous contract liabilities	17	**78,834**	-
Deferred revenue	9	**1,989,289**	587,273
Current portion of lease obligations	11	**223,051**	111,032
Current portion of deferred grant benefits	12	**104,905**	-
Total current liabilities		**3,289,966**	1,740,358
Non-current liabilities			
Lease obligations	11	**400,544**	335,340
Deferred grant benefits	12	**158,336**	329,951
Repayable government grant	12	**716,928**	636,236
Deferred tax liabilities	13	**-**	983,926
Total non-current liabilities		**1,275,808**	2,285,453
Total liabilities		**4,565,774**	4,025,811
Shareholders' equity			
Issued capital	14	**9,093,149**	8,630,146
Contributed surplus		**1,472,506**	1,416,169
Retained earnings		**19,989,517**	23,977,902
Accumulated other comprehensive loss		**(73,091)**	(35,117)
Total shareholders' equity		**30,482,081**	33,989,100
Total liabilities and shareholders' equity		**$35,047,855**	$38,014,911

Commitments and contingencies 23

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors:

(*signed*) Stewart Hanlon
Stewart Hanlon, Director

(*signed*) Audrey Mascarenhas
Audrey Mascarenhas, Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Stated in Canadian dollars except per share data

For the years ended December 31,	Notes	**2021**	2020
Revenue	19	**$5,503,595**	$9,210,718
Cost of sales	17	**6,502,804**	7,405,308
Gross profit (loss)		**(999,209)**	1,805,410
Administration expenses	17	**2,733,306**	3,233,128
Research and development expenses	8	**315,899**	45,043
Share based compensation	15	**340,590**	236,901
Depreciation expense of properties and equipment and right-of-use assets	6,7	**134,810**	138,508
Amortization of intangible assets	8	**269,442**	286,609
Net foreign exchange losses (gains)		**(73,586)**	(184,977)
Other expenses	18	**516,778**	192,009
Loss before tax		**(5,236,448)**	(2,141,811)
Income tax recovery	13	**(1,248,063)**	(311,935)
Loss for the year		**(3,988,385)**	(1,829,876)
Other comprehensive income (loss)			
Items that may be reclassified to profit and loss in subsequent periods:			
Exchange differences on translating foreign operations		**(37,974)**	21,656
Total comprehensive loss		**$(4,026,359)**	$(1,808,220)
Loss per share	16		
Basic		**$(0.15)**	$(0.07)
Diluted		**$(0.15)**	$(0.07)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Stated in Canadian dollars

	Notes	Issued capital	Contributed Surplus	Retained Earnings	Cumulative Translation Adjustment	Total Shareholder's Equity
Balance at December 31, 2020		**$8,630,146**	**$1,416,169**	**$23,977,902**	**$(35,117)**	**$33,989,100**
Loss for the year		**-**	**-**	**(3,988,385)**	**-**	**(3,988,385)**
Share-based payments	**15**	**-**	**340,590**	**-**	**-**	**340,590**
Stock options exercised	**15**	**302,621**	**(123,871)**	**-**	**-**	**178,750**
Restricted share units settled	**15**	**160,382**	**(160,382)**	**-**	**-**	**-**
Translation of foreign operations		**-**	**-**	**-**	**(37,974)**	**(37,974)**
Balance at December 31, 2021		**$9,093,149**	**$1,472,506**	**$19,989,517**	**$(73,091)**	**$30,482,081**
Balance at December 31, 2019		8,256,566	1,326,096	25,807,778	(56,773)	35,333,667
Loss for the year		-	-	(1,829,876)	-	(1,829,876)
Share-based payments	15	-	236,901	-	-	236,901
Stock options exercised	15	373,580	(146,828)	-	-	226,752
Translation of foreign operations		-	-	-	21,656	21,656
Balance at December 31, 2020		$8,630,146	$1,416,169	$23,977,902	(35,117)	$33,989,100

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Stated in Canadian dollars

For the years ended December 31,	Notes	**2021**	2020
Cash flows from (used in) operating activities			
Loss for the year		**$(3,988,385)**	$(1,829,876)
Adjustments for:			
Income tax recovery		**(1,248,063)**	(311,935)
Depreciation of property and equipment and right-of-use assets	6,7	**2,199,584**	2,344,918
Amortization of intangible assets	8	**269,442**	286,609
Lease interest	11	**28,830**	30,092
Share-based payments	15	**340,590**	236,901
Gains on sale of property		**(2,708)**	-
Movements in non-cash working capital	21	**1,101,867**	1,572,139
Income taxes refund (paid)		**169,005**	(21,158)
Net cash provided by (used in) operating activities		**(1,129,838)**	2,307,690
Cash used in investing activities			
Payments for property and equipment		**(44,822)**	(147,015)
Payments for intangible assets		**(582,520)**	-
Proceeds of disposition of property and equipment		**25,500**	5,000
Net cash used in investing activities		**(601,842)**	(142,015)
Cash from financing activities			
Proceeds from exercise of stock options		**178,750**	226,752
Receipt of government grant	12	**120,000**	966,187
Lease obligations payments		**(211,214)**	(272,142)
Net cash provided by financing activities		**87,536**	920,797
Net increase (decrease) in cash		**(1,644,144)**	3,086,472
Cash at beginning of the year		**16,307,029**	13,491,383
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(2,805)**	(270,826)
Cash at end of the year		**14,660,080**	$16,307,029

The accompanying notes are an integral part of these consolidated financial statements.

1. DESCRIPTION OF BUSINESS

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.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Company's Board of Directors on April 11, 2022.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Certain comparative figures in our consolidated notes to the financial statements have been reclassified to conform to the current year's presentation.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries which are consolidated from the date of acquisition, being the date on which the Company obtained control, and continue to be consolidated until the date that such control ceases. Control exists when the Company has power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions are eliminated upon consolidation. Details of the entities contained in the consolidated financial statements are as follows:

Company name	Principal activity	Place of business and operations	Equity percentage
Questor Technology Inc.	Parent and operating company	Canada	--
Questor Solutions & Technology Inc.	Operating company	Unites States	100%
ClearPower Systems Inc.	Research and development company	United States	100%

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. The functional currency of the Company's subsidiaries, ClearPower Systems Inc. and Questor Solutions & Technology Inc. is U.S. dollars.

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less and are recorded at cost, which approximates fair value.

Foreign currency translation and transaction

For entities whose functional currency is the Canadian dollar, transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences on monetary items are recognized in profit or loss in the year in which they arise.

The financial results of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of foreign operations are translated at the average rate of the exchange for the period. All assets and liabilities are translated at the rate of exchange at the reporting date. Differences arising on translation are recognized as other comprehensive income ("OCI").

Inventories

Inventory is measured at the lower of cost and net realizable value. Inventory cost is recorded on a weighted-average basis and the balance includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, and slow moving or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write down previously recorded is reversed. Inventory write downs are recorded in cost of sales.

Right-of-use assets

Leases are recognized as a right-of-use ("ROU") asset with a corresponding liability at the date the leased asset is available for use by the Company.

The ROU assets are subsequently measured at cost, net of accumulated depreciation and accumulated impairment losses. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation of property and equipment expense.

Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. The interest expense associated with the lease obligation is charged to the consolidated statements of comprehensive income (loss) over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease.

The Company does not recognize short-term leases with a term of 12 months or less, or leases of low-value assets.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, and subsequent expenditures to the extent that they can be measured, and future economic benefit is probable. The carrying values of replaced parts are derecognized when they are replaced. The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the property and equipment if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. Repairs and maintenance expenditures, which do not extend the useful life of the property and equipment, are expensed in the year in which they are incurred. Management bases the estimate of the useful life and salvage value of property and equipment on expected utilization, technological change and effectiveness of maintenance programs. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recorded so as to recognize the cost of assets over their useful lives, using the method specified for the particular assets:

Asset	Rate	Method
Rental equipment and trailers	5 – 20 years	Straight-line
Light vehicles, tools & equipment	20 - 30%	Declining balance
Office equipment	20 - 30%	Declining balance

Property and equipment is carried at cost, less any recognized impairment loss. The estimated useful lives and depreciation methods are reviewed at the end of each financial year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

When an incinerator from the rental fleet is sold to a customer, the depreciated cost of the incinerator is transferred from property and equipment to inventory. Any additional costs to ready the unit for the customer are transferred to inventory when completed and then to cost of sales once the incinerator is transported to the customer's site and/or legal title passes.

Warranties

Provisions for the expected cost of warranty obligations are recorded in cost of sales at the date of sale of equipment. The provision is estimated based on several factors including historical warranty claims and cost experience, the type and duration of warranty coverage and the nature of products sold and in service. The Company reviews its recorded product warranty provisions quarterly and any adjustment is recorded in cost of sales.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful lives and amortization method are reviewed at the end of each financial year end, with any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets - research and development expenditures

Expenditures on research activities are recognized as an expense in the period incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- Understanding of how the intangible asset will generate probable future economic benefits;
- Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- The ability to reliably measure the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Where no internally generated intangible asset can be recognized, development expenditures are recognized in profit or loss in the period incurred.

Amortization is recorded so as to recognize the cost of assets over their useful lives, using the method specified for the particular assets:

Intangible assets	Useful life	Method
Waste heat to power development	5 years	Straight-line
Software and data system	3 years	Straight-line
Patents	Shorter of estimated useful life and patent life	Straight-line

<u>Derecognition of intangible assets</u>

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets, other than inventories and deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGUs. Otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future net cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount. The increased carrying amount must not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When it is virtually certain that some or all the economic benefits required to settle a provision are expected to be recovered from a third party, and the amount can be reliably measured, a receivable is recognized as an asset.

Financial Instruments

Financial assets and liabilities are recognized in the Consolidated Statements of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument contract. All financial assets and financial liabilities are initially measured at fair value, net of transaction costs, except for financial instruments classified as fair value through profit and loss ("FVTPL"), where transaction costs are recognized immediately in profit or loss.

Financial assets that meet the following conditions are subsequently measured at amortized cost: (i) assets held for the collection of contractual cash flows; and (ii) contractual cash flows that consist solely of principal and interest payments on the principal amount outstanding. All other financial assets are subsequently measured at FVTPL. Financial liabilities are classified as FVTPL when held for trading. All other financial liabilities are subsequently measured at amortized cost.

The Company classifies its financial instruments according to IFRS 9 - Financial Instruments ("IFRS 9") into the following:

Financial Instrument	Classification
Cash and cash equivalents	Amortized cost
Trade, contract assets and other receivables	Amortized cost
Deposits	Amortized cost
Trade payables, accrued liabilities and provisions	Amortized cost
Deferred grant benefits	Amortized cost
Repayable government assistance	Amortized cost

Impairment of Financial Assets

The carrying amount of the Company's financial assets includes cash and cash equivalents, trade and other receivables and contract assets. A lifetime expected credit loss (ECL) is recognized on financial assets when there is objective evidence of a significant increase in credit risk as a result of one or more events that occurred after the initial recognition of the asset. Evidence of impairment would include default or delinquency by a debtor, restructuring of an amount based upon terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults.

Trade, contract assets and other receivables are recorded at original invoice value less any amounts estimated to be uncollectable. Loss allowances are measured at fair value in the statement of financial position, with value changes recognized in profit or loss. Changes in ECL at the end of each reporting date involves a two-stage approach:

- 12-month ECL - credit risk has not increased significantly since initial recognition
- Lifetime ECL - credit risk has increased significantly since initial recognition

Impairment is assessed using historical trends of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment in relation to how the current economic and credit environment will impact losses being greater or less than historical trends. An impairment loss is determined as the difference between an asset's carrying amount and the present value of future cash flows. Losses are recognized in profit and loss and reflected in a provision account against loans and receivables. When an event occurring after the impairment was recognized causes the amount of impairment to decrease, the recovery is reversed and recognized in profit and loss.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company transfers its rights to receive cash flows from the asset and the associated risks and rewards to a third party. The Company derecognizes a financial liability when its contractual obligations are discharged, canceled or expire.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position once the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Revenue recognition

Revenue is recognized at the point in time that the Company transfers control of goods or services to a customer in the amount to which the Company expects to be entitled. The Company has three revenue streams accounted for as follows:

1) Equipment sales – Revenue on equipment sales is recognized when control passes to the customer based on the stated contract value. If the equipment is a standard unit, control passes generally whenequipment is delivered to the customer. When the equipment is a custom unit which does not have an alternate buyer and there is an enforceable right to collection, the revenue is recognized on a percentage of completion basis in accordance with the performance obligations in the contract.

   Where the outcome of performance obligations cannot be reliably measured, contract revenue is either deferred on the statement 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, depending on whether there is an alternative use for the input materials before the commencement of the manufacturing process.

2) Equipment rental revenue is recognized in accordance with usage of the equipment.

3) Equipment services and repairs revenue is recognized upon completion of the equipment installation or for time and material contracts, based on the contractual hourly rates and direct expenses as incurred.

If it is expected that the unavoidable costs required to satisfy the remaining performance obligations of a revenue contract will exceed its expected economic benefits, the Company will recognize an onerous provision with a corresponding loss in cost of sales in the consolidated statement of comprehensive income (loss).

A contract asset is recognized when a performance obligation is satisfied (and the revenue is recognized), but the payment is conditional not only on the passage of time but on other contractual obligations and milestones.

At contract inception, the Company expects that the period between when the Company transfers control of a promised service to a customer and when the customer pays for that service will be one year or less. As a practical expedient, the consideration is not adjusted for the effects of a significant financing component.

Deposits received upon signing of contracts for equipment purchases where revenue recognition criteria have not been met, are recorded as deferred revenue.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be reliably measured. Interest income is accrued on a calendar basis referencing the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants, subsidies and investment tax credits

Government grants, subsidies, Scientific Research and Experimental Development (SR&ED) and investment tax credits are recognized when there is reasonable assurance that the Company will comply with the relevant conditions and that the grants, subsidies and/or investment tax credits will be received. Government grants, subsidies and investment tax credits are recognized as a reduction in the carrying value of the related asset or expense to which they relate.

For repayable government grants that have a below market rate of interest, the Company recognizes the benefit as the difference between the initial carrying value of the loan and the proceeds received. The deferred grant benefit is recognized on a systematic basis over the period in which the Company expects to recognize the expenses for which the grants are intended to compensate.

Cost of sales

Cost of sales includes direct materials, direct labour, warranties, indirect overhead related to field offices, and depreciation relating to rental incinerators, detachable trailers for rental incinerators, light vehicles and tools and equipment. Timing of the recognition of the cost of sales is consistent with the timing of the revenue recognition.

When the contract with the fabricator for customized units requires payment for materials in advance of fabrication and there is an alternative use for these input materials before the commencement of the manufacturing process, the Company recognises a deposit on the statement of financial position up until the commencement of the fabrication process.

Employee benefits

Short-term benefits

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability for the amount expected to be paid as a short-term cash bonus, is recognized if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Share-based payment arrangements

The Company has the following equity settled share-based payment arrangements:

a) Stock options

The Company has a stock option plan and accounts for stock options by expensing the fair value of stock options measured using a Black Scholes option pricing model. The fair value of the stock options is determined on their grant date and is recognized as share-based compensation expense in the consolidated statement of comprehensive income (loss) over the vesting period.

b) Performance and restricted share units

The Company has a performance share unit (PSU) and restricted share unit (RSU) plan ("PSU&RSU Plan"). As the Company intends to settle the units in shares, the plan is accounted for as "equity-settled". Under the terms of the PSU&RSU Plan, the awards will vest in three equal portions annually based upon the grant date. Each RSU will be settled in common shares based upon a one-to-one conversion of RSU to Company share. Each PSU will be settled in common shares based on a multiplier, which is dependent on the achievement of specific performance measures, between zero and three shares per PSU. The fair value of the RSU and PSU's is determined on their grant date based on the closing market price of the shares and is recognized as share-based compensation expense in the consolidated statement of comprehensive income (loss) over the vesting period.

Taxation

The Company uses the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized as the difference between the carrying amounts of assets and liabilities and its respective tax basis (temporary differences).

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income (loss) due to items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income (loss) or directly in equity.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by using the treasury stock method for equity-based compensation arrangements. The treasury stock method assumes that any proceeds obtained on exercise of equity-based compensation arrangements would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the difference between the number of shares issued from the exercise of equity-based compensation arrangements and shares repurchased from the related proceeds.

Operating segments

The Company generates revenue primarily from equipment sales, equipment rentals, and equipment service and repairs. Management has determined that the Company has one reportable operating segment as the Company does not have any segment managers who are directly accountable to and maintain regular contact with the chief operating decision maker to discuss operating activities, financial results, forecasts or plans broken down by the different types of products/services. The Company reports revenue for two geographic locations being Canada the United States. . Any International sales revenue is included in the Canadian geographic segment as the revenue is driven by and recorded in the Canadian legal entity.

Future accounting pronouncements

The standards, amendments and interpretations that are issued, but not yet effective up to the date of authorization of the Company's consolidated financial statements, and that may have an impact on the disclosures and financial position of the Company are disclosed below. The Company intends to adopt these standards, amendments and interpretations when they become effective.

a) IAS 1 - Classification of liabilities as current or non-current
   In January 2020, the IASB issued amendments to IAS 1 - Presentation of Financial Statements to clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective January 1, 2023 with early adoption permitted. The amendments are required to be adopted retrospectively. The Company does expect this new standard to have a significant impact on its consolidated financial statements.

b) Amendments to IAS 12 and IFRS 1 – Deferred taxes related to assets and liabilities arising from a single transaction
In May 2021, the IASB issued amendments to IAS 12 - Income Taxes, which requires companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company does expect this new standard to have a significant impact on its consolidated financial statements.

4. INVENTORIES

For the years ended December 31,	**2021**	2020
Materials and supplies	**$939,323**	$1,011,761
Work in progress	**244,567**	922,929
Total inventories	**$1,183,890**	$1,934,690

Inventory costs included in cost of sales:

For the years ended December 31,	**2021**	2020
Expensed inventories	**$2,438,075**	$3,056,872

Inventory write-down to net realizable value included in cost of sales:

For the years ended December 31,	**2021**	2020
Inventory write-down	**$101,159**	$188,578

5. PREPAID EXPENSES AND DEPOSITS

For the years ended December 31,	**2021**	2020
Building and utility deposits	**$51,727**	$72,713
Vendor deposits and other prepaid expenses	**360,716**	292,078
	$412,443	$364,791

6. PROPERTY AND EQUIPMENT

Cost	**Rental incinerators and trailers**	**Light vehicles, tools & equipment**	**Office equipment & leasehold improvements**	**Total**
Balance at January 1, 2020	$22,724,609	$1,391,008	249,908	$24,365,525
Additions	84,737	7,698	54,580	147,015
Disposals and transfers	(139,232)	(48,667)	-	(187,899)
Foreign currency translation	-	(16,097)	(195)	(16,292)
Balance at December 31, 2020	$22,670,114	$1,333,942	$304,293	$24,308,349
Additions	**-**	**13,823**	**30,999**	**44,822**
Transfers	**(586,825)**	**-**	**-**	**(586,825)**
Disposals	**(221,091)**	**(71,783)**	**-**	**(292,874)**
Foreign currency translation	**-**	**(3,395)**	**(121)**	**(3,516)**
Balance at December 31,2021	**$21,862,198**	**$1,272,587**	**$335,171**	**$23,469,956**
Accumulated depreciation				
Balance at January 1, 2020	$5,629,086	$669,606	$142,985	$6,441,677
Depreciation charges included in:				
Cost of sales	1,911,080	136,662	-	2,047,742
Depreciation expense			34,628	34,628
Disposal and transfers	(134,076)	(47,132)	-	(181,208)
Foreign currency translation	$0	$(12,501)	$(170)	$(12,671)
Balance at December 31, 2020	$7,406,090	$746,635	$177,443	$8,330,168
Depreciation charges included in:				
Cost of sales	**1,877,179**	**96,668**	**4,175**	**1,978,022**
Depreciation expense	**-**	**-**	**30,930**	**30,930**
Transfers	**(389,493)**	**-**	**-**	**(389,493)**
Disposals	**(206,119)**	**(63,963)**	**-**	**(270,082)**
Foreign currency translation	**-**	**611**	**(135)**	**476**
Balance at December 31,2021	**$8,687,657**	**$779,951**	**$212,413**	**$9,680,021**
Carrying amounts				
Balance at December 31, 2020	$15,264,024	$587,307	$126,850	$15,978,181
Balance at December 31,2021	**$13,174,541**	**$492,636**	**$122,758**	**$13,789,935**

There were impairment indicators identified by management in 2021 and 2020. Management performed an impairment assessment and determined that no asset impairment was required.

7. RIGHT OF-USE ASSETS

Cost	
Balance, January 1, 2020	$1,130,748
Additions	-
Contract Modification	(121,847)
Foreign currency translation	(3)
Balance at December 31, 2020	$1,008,898
Additions	**351,958**
Foreign currency translation	**6,858**
Balance at December 31, 2021	**$1,367,714**

Accumulated Depreciation	
Balance, January 1, 2020	338,715
Depreciation	262,548
Foreign currency translation	(10,497)
Balance at December 31, 2020	$590,766
Depreciation charged in:	
Cost of Sales	**86,752**
Depreciation expense	**103,880**
Foreign currency translation	**(1,225)**
Balance at December 31, 2021	**$780,173**

Carrying Amounts	
Balance at December 31, 2020	$418,132
Balance at December 31, 2021	**$587,541**

For the purposes of assessing and testing impairment, the Company groups its ROU assets into the relevant cash generating unit. There were impairment indicators identified by management in 2021 and 2020. Management performed an impairment assessment and determined that no asset impairment was required.

8. INTANGIBLE ASSETS

Cost	**Heat to power development**	**Software and data system**	**Patents and other**	**Total**
Balance at January 1, 2020	$1,963,884	$117,009	$357,177	$2,438,070
Additions	-	-	-	-
Transfers	-	-	-	-
Balance at December 31, 2020	$1,963,884	$117,009	$357,177	$2,438,070
Additions	**580,663**	**-**	**1,857**	**582,520**
Transfers	**-**	**121,001**	**-**	**121,001**
Balance at December 31, 2021	**$2,544,547**	**$238,010**	**$359,034**	**$3,141,591**
Accumulated Amortization				
Balance at January 1, 2020	$1,279,961	$-	$347,381	$1,627,342
Amortization	284,206	-	2,403	286,609
Balance at December 31, 2020	$1,564,167	-	$349,784	$1,913,951
Amortization	246,999	19,834	2,609	269,442
Balance at December 31, 2021	**$1,811,166**	**$19,834**	**$352,393**	**$2,183,393**
Carrying Amounts				
Balance at December 31, 2020	$399,717	$117,009	$7,393	$524,119
Balance at December 31, 2021	**$733,381**	**$218,176**	**$6,641**	**$958,198**

In 2021 the Company has capitalized costs of $580,663 associated with its waste heat to power project that is being partially funded by Sustainable Development Technology Canada (“SDTC”) (see note 12). The Company has also expensed certain administrative costs relating to this waste heat to power project and other research and development project costs that do not yet meet the criteria for capitalization in the amount of $315,899 in 2021 and $45,043 in 2020.

For the purposes of assessing and testing impairment, the Company groups its intangible assets into the relevant cash generating unit. There were impairment indicators identified by management in 2021 and 2020. Management performed an impairment assessment and determined that no asset impairment was required.

9. DEFERRED REVENUE

For the years ended December 31,	**2021**	2020
Balance, beginning of year	**$587,273**	$1,982,166
Additions from new contracts	**3,115,108**	1,178,551
Deferred revenue recognized as revenue	**(1,713,092)**	(2,573,444)
Balance, end of year	**$1,989,289**	$587,273

10. BORROWING FACILITIES

Operating Loan Facility

The Company has in place a revolving demand operating loan facility, which is available to a maximum of $1,000,000 (2020 - $1,000,000), subject to specified margin requirements. The revolving demand operating loan bears interest at bank prime plus 1 percent per annum (2020 – bank prime plus 1 percent). Up to $100,000 (2020 - $100,000) of this loan is available to secure the issue of letters of credit and/or letters of guarantee for suppliers. No amounts were drawn in 2021 or 2020.

Capital Loan Facility

The capital loan facility was secured to assist in the financing of capital expenditures. The facility makes available a revolving demand capital loan to a maximum of $5,000,000 (2020 - $5,000,000). The revolving demand capital loan bears interest at bank prime plus 1.25 percent per annum. No amounts were drawn in 2021 or 2020.

The capital loan is available by way of multiple advances by delivery of a required notice to the bank. The initial advance, to a maximum amount of 60 percent of net book value ("NBV"), can be made available and completed based on the NBV of existing fixed assets. Fixed assets are defined as rental fleet, equipment and vehicles/trailers.

Subsequent advances are to be supported by a true and complete summary of capital expenditures, to a maximum amount of 100 percent of costs incurred.

The combined advances of the capital loan facility cannot, at any time, exceed 60 percent loan to value ("LTV") of the combination of: i) NBV of fixed assets, as per the most recent fiscal year-end financial reporting; and, ii) the aggregate amount of all invoices funded under the capital loan facility subsequent to the most recent fiscal year end reporting but prior to updated reporting being received. Should advances exceed 60 percent LTV, the Company is to pay down the capital loan by an amount equal to or greater than that which is required to reduce LTV to less than or equal to 60 percent, based on the then most recent reporting.

Borrowing Facilities

All of the borrowing facilities have financial tests and other covenants customary for these types of facilities. At the end of each fiscal quarter the Company's debt-to-tangible-net-worth must be less than 2.5 and the Company's working capital ratio must be greater than 1.25. At the end of each fiscal year, Questor's debt service coverage ratio must be in excess of 1.25. The Company was in compliance with the borrowing facilities covenants. No amounts have been drawn on the borrowing facilities in 2021 or 2020.

None of the borrowing facilities are subject to standby fees and there is no specified facility expiration or renewal date. The Company has provided a general security agreement and an assignment of insurance proceeds as security.

11. LEASE OBLIGATIONS

The Company's leasing activities comprise buildings and yard leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The following table sets out the movement in the right-of-use assets by class of underlying asset:

Lease Obligations	
Balance, January 1, 2020	$800,157
Additions	22,372
Contract modifications	(124,318)
Interest	30,092
Lease payments	(272,142)
Foreign currency translation	(9,789)
Balance at December 31, 2020	$446,372
Additions	**351,958**
Interest	**28,830**
Lease payments	**(211,214)**
Foreign currency translation	**7,649**
Balance at December 31, 2021	**$623,595**

Lease obligations due within one year	$223,051
Lease obligations due beyond one year	400,544
	$623,595

The Company has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liability is as follows:

For the years ended December 31,	**2021**	2020
Leases of low value assets	**$124,341**	$81,521
Short-term leases	**251,877**	217,610
	$376,218	$299,131

Operating costs paid by the Company above the monthly lease payments in 2021 of $123,934 (2020- $98,404) are expensed as incurred.

12. GOVERNMENT GRANTS AND DEFERRED GRANT BENEFITS

(a) Western Economic Diversification Grant

During 2020, the Company entered into a federal government grant agreement with Western Economic Diversification Canada. Under the agreement, the Company was provided $966,187 of assistance to help fund its operating costs. The total amount of the repayable government assistance was recognized at fair value using an interest rate of 12%, which was considered a market rate of interest for similar unsecured loans at the date of inception. The Company recognizes the benefit of the interest free loan as the difference between the initial fair value of the repayable government assistance and the proceeds received as a deferred grant benefit over the term of the loan.

The Company is required to repay the contribution in 35 consecutive monthly installments of $26,800, commencing January 1, 2023 and one final installment of $28,187 due December 31, 2025. Interest payable on any late payments is to be calculated and compounded monthly at the average bank prime rate plus 3%. Under the agreement, unless the Company has disclosed pre-existing commitments to make payments or disbursements to shareholders / partners, including management bonuses, and has received written approval from the Minister to make such payments, the Company shall not pay management bonuses, repay shareholder loans / partnership loans or approve any distribution of the retained earnings to the shareholders / partners until the contribution has been paid in full. The Company has complied with all requirements.

Balance at December 31, 2020	$636,236
Additions	**-**
Accretion – at effective interest rate (12%)	**80,692**
Repayments	**-**
Balance at December 31, 2021	**$716,928**
Current portion	$-
Long-term portion	716,928
	$716,928

(b) Alberta Innovates Grant

In 2021, the Company entered into an agreement with Alberta Innovates to fund up to $200,000, in relation to a research and development project the Company is jointly working on with the Southern Alberta Institute of Technology, to develop a comprehensive systems-based approach to the detection, quantification and removal of onsite methane emissions from oil and gas production, processing, storage and transport operations. The Company received a funding advance of $120,000 in 2021 and has subsequently received another $51,000 after December 31, 2021 as final payment under the Alberta Innovates grant agreement.

(c) Sustainable Development Technology Canada Grant

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 CPS 50-1500 kW modular, reliable, high efficiency Waste Heat to Power generation systems ("ORCs"). Funding will be received throughout the project based on achieving specific conditions in the contract and will be recognized as a deferred government grant upon receipt. When there is reasonable assurance that specific conditions set out in the agreement will be achieved by the Company, the funds received will be recognized as a reduction in the associated project costs and assets. Subsequent to December 31, 2021, the Company received its first pre-milestone payment from SDTC in the amount of $750,209.

(d) Deferred grant benefits

The Company recognized the benefit as the difference between the initial carrying value of the repayable government assistance and the proceeds received.

	Alberta Innovates	Western Economic Diversification	Total
Balance at January 1, 2020	$ -	$-	$-
Additions	-	348,663	348,663
Recognized	-	18,712	18,712
Balance at December 31, 2020	-	329,951	329,951
Additions	**120,000**	**-**	**120,000**
Recognized	**(106,018)**	**(80,692)**	**(186,710)**
Balance at December 31, 2021	**13,982**	**249,259**	**263,241**
Current portion	13,982	90,923	104,905
Long-term portion	-	158,336	158,336
	$13,982	**$249,259**	**$263,241**

13. TAXES

The tax provision recorded in the consolidated financial statements differs from the amount computed by applying the combined Canadian federal and provincial income tax statutory rates to profit before tax as follows:

For the years ended December 31,	2021	2020
Loss before tax	**$(5,236,448)**	$(2,141,811)
Statutory income tax rate (%)	**23.0**	24.0
Expected tax recovery at statutory rate	**$(1,204,383)**	$(514,035)
Increase (decrease) in taxes resulting from:		
Non-deductible expenses/non-taxable income	**4,817**	3,962
Share-based payments	**78,336**	56,844
Tax rate differences	**(35,844)**	2,885
Tax return to provision adjustments	**(90,989)**	138,409
Income tax recovery	**$(1,248,063)**	$(311,935)

The provision for income taxes is comprised of the following:

For the years ended December 31,	2021	2020
Current	**$(170,305)**	$(149,601)
Deferred	**(1,077,758)**	(162,334)
Income tax recovery	**$(1,248,063)**	$(311,935)

Canadian deferred tax assets/ (liabilities) are composed of the following:

As at December 31,	**2021**	2020
Intangible assets	**$171,237**	$109,265
Property and equipment and right-of-use assets	**(799,654)**	(1,208,743)
Deferred Revenue	**(446,167)**	(185,142)
Non-capital losses carry back	**1,034,928**	231,624
Unrealized foreign exchange (gains) losses	**46,184**	-
Other	**19,019**	69,070
Deferred tax asset (liability)	**$25,547**	$(983,926)

US deferred tax assets/ (liabilities) are composed of the following:

As at December 31,	**2021**	2020
Intangible assets	**$100,676**	$111,183
Property and equipment and right-of-use assets	**(70,516)**	(92,036)
Other	**91,793**	34,521
Deferred tax asset	**$121,953**	$53,668

Deferred tax assets are recorded only to the extent that future taxable income will be available against which the deferred tax asset can be offset. Management estimates future income using forecasts based on the best available current information. Based on the current estimates, there is currently sufficient evidence that the deferred tax asset will be recovered.

14. ISSUED CAPITAL

Authorized

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

Shares issued and outstanding	Number of shares	Share capital
Shares issued and outstanding, December 31, 2019	27,215,120	8,256,566
Stock options exercised	195,000	373,580
Shares issued and outstanding, December 31, 2020	27,410,120	$8,630,146
RSU's settled (note 15)	**76,738**	**$160,382**
Stock options exercised (note 15)	**275,000**	**$302,621**
Shares issued and outstanding, December 31, 2021	**27,761,858**	**$9,093,149**

15. SHARE-BASED PAYMENTS

The Company has a stock option plan for the directors, officers, consultants and key employees and affiliates of the Company. 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 Company. 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.

Share-based payment costs for the year ended December 31, 2021 were $340,590 (2020 - $236,901).

(a) Stock options

The following share-based payment arrangements were in existence at December 31, 2021 and 2020:

At December 31, 2021

Number outstanding	Grant date	Expiry date	Remaining contractual life		Exercise price		Fair value at grant date	Number exercisable
175,625	**1-Dec-17**	**1-Dec-22**	**0.92**		**2.35**		**1.44**	**175,625**
117,000	**27-May-19**	**27-May-24**	**2.41**		**5.09**		**2.90**	**59,750**
25,000	**31-Aug-21**	**31-Aug-26**	**4.67**		**1.36**		**0.82**	**-**
317,625			**1.76**	**(1)**	**3.28**	**(2)**		**235,375**

At December 31, 2020

Number outstanding	Grant date	Expiry date	Remaining contractual life		Exercise price		Fair value at grant date	Number exercisable
315,000	7-Dec-16	7-Dec-21	0.93		0.65		0.44	315,000
37,500	10-Oct-17	10-Oct-22	1.77		1.40		0.86	-
214,875	1-Dec-17	1-Dec-22	1.92		2.35		1.44	151,625
187,500	27-May-19	27-May-24	3.40		5.09		2.90	46,875
40,000	7-Oct-20	7-Oct-25	4.77		1.33		0.80	
794,875			2.01	(1)	2.23	(2)		513,500

(1) *Weighted average number of years.*
(2) *Weighted average.*

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model. The weighted average fair value of options granted during 2021, determined using the Black-Scholes valuation method, was $0.82 per option. The Company applied the following assumptions in determining the fair value of options on the date of grant:

Grant Date	**Aug. 31, 2021**	Oct. 7, 2020
Grant date share price ($)	**1.36**	1.31
Exercise price ($)	**1.36**	1.33
Expected volatility (1) (%)	**74**	77
Expected life (years)	**5**	5
Expected dividend yield (%)	**-**	-
Risk-free interest rate (%)	**0.84**	0.37
Forfeiture rate (%)	**16.7**	16.7
Fair value per option ($)	**0.82**	0.80

(1) *Expected volatility is estimate by considering historical average share price volatility*

The stock options outstanding and exercisable is as follows:

Options Outstanding	**December 31, 2021**		December 31, 2020	
	Number	**Exercise price (1)**	Number	Exercise price (1)
Balance at beginning of the period	**794,875**	**2.23**	1,104,750	$2.19
Granted	**25,000**	**1.36**	40,000	1.33
Forfeited	**(187,250)**	**2.97**	(154,875)	3.11
Exercised	**(275,000)**	**0.65**	(195,000)	1.16
Expired	**(40,000)**	**0.65**		
Balance at end of the year	**317,625**	**3.28**	794,875	2.23
Exercisable at end of the year	**235,375**	**3.05**	513,500	1.56

(1) Weighted average.

During the year ended December 31, 2021, 275,000 (2020 - 195,000) options were exercised for cash consideration of $178,750 (2020 - $226,752). The fair value on the grant date of these options, of $123,871 (2020 - $146,828), was transferred from contributed surplus to issued capital upon exercise.

(b) Performance Share Unit and Restricted Share Unit Plan

Under the terms of the PSU&RSU Plan, the awards will vest in three equal portions annually based upon the grant date. Each RSU will be settled in common shares based upon a one-to-one conversion of RSU to Company share. Each PSU will be settled in common shares based on a multiplier, which is dependent on the achievement of specific performance measures, between zero and three shares per PSU. The Company estimates that the PSUs granted in 2021 will be settled at a one-to-one conversion of PSU to Company share.

The following table provides a summary of the Company's PSU&RSU plan in units.

	PSUs	**RSU's**
Balance at January 1, 2020	**-**	-
Granted	**-**	382,856
Balance at December 31, 2020	**-**	382,856
Granted	**235,453**	**275,675**
Forfeited	**(62,000)**	**(219,058)**
Settled	**-**	**(76,738)**
Balance at December 31, 2021	**173,453**	**362,735**

During the year ended December 31, 2021, 76,738 (2020 - nil) RSU's were settled. The fair value on the grant date of these RSU's, of $160,382 (2020 - $nil), was transferred from contributed surplus to issued capital upon the settlement.

On August 31, 2021, the Company granted 275,675 RSU's and 235,453 PSU's to its officers and employees. The fair value of the RSUs and PSUs equal $1.36 per unit. The fair value is expensed over the vesting term on a graded vesting basis.

On November 18, 2020, the Company granted 382,256 RSU shares to its officers and employees. The fair value of the RSUs equal $2.09 per unit. The fair value is expensed over the vesting term on a graded vesting basis.

Subsequent to December 31, 2021, the Company granted a further 30,000 RSU's to an employee as part of their total compensation package.

16. LOSS PER SHARE

For the years ended December 31,	**2021**	2020
Loss for the year attributable to ordinary equity holders	**$(3,988,385)**	$(1,829,876)
Weighted average number of common shares for the purpose of:		
Basic and diluted	**27,470,254**	27,371,647
Basic and diluted loss per share	**$(0.15)**	$(0.07)

The calculation of diluted loss per share for the year ended December 31, 2021 and December 31, 2020 excludes the effects of Stock Options and PSU's and RSU's, as their impacts would be anti-dilutive.

17. COST OF SALES AND ADMINISTRATIVE EXPENSES

The nature of the Company's expenses is as follows:

Cost of Sales

For the years ended December 31,	**2021**	2020
Employee costs	**$946,677**	$1,360,506
Depreciation (Note 6,7)	**1,978,022**	2,206,410
Direct costs	**3,578,105**	3,838,392
	$6,502,804	$7,405,308

Administration Expenses

For the years ended December 31,	**2021**	2020
Employee costs	**$1,460,199**	$1,649,798
Office and corporate related	**1,273,107**	1,583,330
	$2,733,306	$3,233,128

During the year ended December 31, 2021, the Company received government subsidies relating to COVID-19 for wages and rent. These amounts were recorded as an offset to employee and rent costs in accordance with where the original cost was recorded. Accordingly, cost of sales benefitted by a reduction in employee costs of $69,536 (2020-$65,460) and administrative expenses benefitted by a reduction in employee costs of $560,036 (2020 - $492,561) and a reduction in office costs of $167,699 (2020 - $nil) and storage rent costs of $34,781 (2020- nil) for rent subsidies.

Onerous Contract

The Company has a revenue contract where the total costs to complete the commissioning are expected to exceed the revenue associated with this performance obligation. As a result the Company has recorded an onerous contract provision in the amount of $78,834 ($nil in 2020) on the balance sheet and the associated expenses in cost of sales.

18. OTHER EXPENSES

The following is an analysis of the Company's other expenses:

For the years ended December 31,	**2021**	2020
Bad debt expense (recovery)	**230,385**	(16,259)
Interest income	**(67,869)**	(85,976)
Legal expenses	**362,176**	313,718
Other income	**(7,914)**	(19,474)
	516,778	192,009

The Company incurred $362,176 of legal expenses for the year ended December 31, 2021 (2020 - $313,718) related to intellectual property litigation with respect to Emission Rx (note 23).

19. REVENUE BY GEOGRAPHIC SEGMENT

The Company reports its financial results as one reportable segment as this is how the financial information is reviewed by the chief decision makers of the Company.

The following table provides information regarding revenue on a geographic basis as determined by the location of the customer or third party:

For the year ended December 31, 2021	**Canada**	**United States**	**Consolidated**
Equipment sales	**$2,073,317**	**$482,893**	**$2,556,210**
Equipment rentals	**-**	**2,231,404**	**2,231,404**
Equipment service & repairs	**214,109**	**501,872**	**715,981**
	$2,287,426	**$3,216,169**	**$5,503,595**

For the year ended December 31, 2020	Canada	United States	Consolidated
Equipment sales	$1,139,124	$2,918,417	$4,057,541
Equipment rentals	-	4,154,476	4,154,476
Equipment service & repairs	229,251	769,450	998,701
	$1,368,375	$7,842,343	$9,210,718

The following table provides information regarding the location of the Company's non-current assets on a geographic basis.

Intangible assets

For years ended December 31,	**2021**	2020
Canada	**$958,198**	$524,119
United States	**-**	-
	$958,198	$524,119

Property and equipment

For years ended December 31,	2021	2020
Canada	**$680,461**	$743,313
United States	**13,109,474**	15,234,868
	$13,789,935	$15,978,181

Right-of-use assets

For years ended December 31,	2021	2020
Canada	**$303,004**	$406,887
United States	**284,537**	11,245
	$587,541	$418,132

20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and,
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements other than the financial tests and covenants associated with its borrowing facilities as described in Note 9 and repayable government grant from Western Economic Diversification that is described in Note 12. At December 31, 2021 and 2020, Questor complied with these covenants.

The Company's capital structure consists of equity and cash. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing credit facilities, raise new debt and issue common shares. The Company expects that cash on hand and funds generated from operations will provide sufficient capital resources and liquidity to fund current operations in 2022.

A key measure the Company utilizes in evaluating its capital structure is the ratio of debt-to-total capitalization. Debt-to-total capitalization is calculated as debt divided by total capitalization. Debt is defined as total short- and long-term borrowings adjusted for cash balances. The only loan that the Company has is a repayable government grant from Western Economic Diversification that is described in Note 12. Equity is defined as issued capital and reserves attributable to equity holders. Total capitalization is defined as the sum of debt unadjusted for cash balances and the book value of equity.

For the years ended December 31,	2021	2020
Repayable government grant	**966,187**	966,187
Shareholder's equity	**30,482,081**	33,989,100
Total capitalization	**31,448,268**	34,955,287
Long-term debt to total capitalization	**3.07%**	2.76%

21. MOVEMENTS IN NON-CASH WORKING CAPITAL

The change in non-cash working capital for the year ended December 31, 2021 and 2020 pertain to operating activities.

For the years ended December 31,	**2021**	2020
Trade, contract assets and other receivables	**$(812,965)**	$3,276,838
Inventories	**629,800**	350,190
Prepaid expenses and deposits	**(47,652)**	589,993
Trade payables, accrued liabilities and provisions	**(148,166)**	(1,249,989)
Deferred revenue and deposits	**1,402,016**	(1,394,893)
Onerous contract liabilities	**78,834**	-
	$1,101,867	$1,572,139

22. 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
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 not been able to complete the commissioning due to supply chain difficulties securing and transporting material and supplies to the site, travel restrictions and related safety issues. While the customer has a contractual obligation to pay for the work, the remaining payment is not due until commissioning is completed. The Company has letters of credit in place to cover the amount owing, therefore the balance has been excluded from the estimated credit loss calculation. 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% 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. See Note 19 for further details on the Company's capital structure. The Company has positive net working capital as of December 31, 2021 of $16,274,715 (2020 - $19,300,453).

At December 31, 2021 the Company had the following contractual undiscounted cash outflows:

As at December 31, 2021	1 Year	2-3 Years	4-5 Years	Total
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.*

The Company has sufficient working capital to meet obligations as they come due.

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% 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.

23. COMMITMENTS AND CONTINGENCIES

The Company has lease commitments for premises and storage facilities. See Note 22 for a summary of the Company's contractual obligations for the next five years.

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.

24. 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
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 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.