

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") of financial condition and results of operations is provided to enable readers to assess the consolidated results of operations, liquidity and capital resources of Questor Technology Inc. ("Questor" or the "Company") as at and for the quarter ended March 31, 2020 compared to the quarter ended March 31, 2019.

This MD&A, dated May 14, 2020, should be read in conjunction with the accompanying audited consolidated financial statements and notes thereto of Questor as at and for the year ended December 31, 2019 which are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The unaudited consolidated financial statements for the quarter ended March 31, 2020 (including comparatives) and this MD&A have been approved and authorized for issue by Questor's Board of Directors and Audit Committee.

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

RECENT DEVELOPMENTS

COVID-19, combined with the oil price war, has affected our customers and will therefore have a significant effect on our 2020 business results. It is difficult to predict how long these market conditions will continue to affect activity levels. Demand for Questor's equipment and services is constantly changing.

Questor's strong financial position has been accomplished through managing costs and maintaining capital discipline while providing best in class equipment and services to our customers. Our focus has not changed and remains consistent despite this downturn. We will continue to provide exceptional service to our customers while efficiently managing our costs. This disciplined strategy is focused on preserving positive operating cash flow in order to maintain our strong balance sheet during these uncertain times.

The reality of a significant decline in demand for our equipment and services has been challenging. We intend to retain the operational experience throughout our company. One key outcome of our strategies is to be strongly positioned coming out of this downturn. During this time, we will be focusing on gaining market share, educating our customers around our solutions for combating emissions, diversifying to lessen our dependence on oil and gas and expanding our waste heat to power offering into other industries and applications. To support this effort a corporate rebranding is underway. We will continue to build our digital capability focused on an emissions platform that will eventually enable us to credibly quantify emission reductions for our clients and guarantee a zero hydrocarbon emissions site, with the end goal of monetizing the emission reduction offsets. Questor believes that the clean technology industry will remain an integral component of resource development over the medium to long term and that the Company will be well positioned given its focus on top-tier service, quality, logistics management and technology to meet our client's emission commitments in the future. The resilient companies that survive these challenging times will continue to focus in the medium to long term on addressing the commitments they have made to their investors and the public, which includes reducing greenhouse gas emissions. Questor's proven, cost effective technology solutions will play an instrumental role in enabling these companies to meet their goals and targets. As these companies ramp up and return to normal activity levels, Questor will be ready.

The following key cost and discretionary spending plan adjustments will be implemented during the second quarter of 2020:

- Companywide reduction of personnel costs; the measures consist of reduced work week, layoffs, furloughs and salary reductions;
- Reduction in discretionary costs in all categories;
- Closure of the Florida ClearPower Systems facility;
- Reduction of capital expenditures;
- Suspension of all non-essential travel; and,
- Modified work schedules to provide increased flexibility to respond to fluctuating demand for the Company's services, while reducing personnel costs.

The Company expects these fixed cost reduction measures will reduce year over year fixed costs by approximately 20%. While these cost reductions are significant, the Company will continue to look at all aspects of its business for further business optimization opportunities in these uncertain times. The Federal Government of Canada announced a new wage subsidy program recently and we will assess how this and other available programs can be utilized to reduce the impact of this downturn on our staffing levels going forward.

QUESTOR'S BUSINESS

Headquartered in Calgary, Alberta, with operations across North America, the Company provides specialized waste gas incineration products and services that destroys harmful pollutants in any waste gas stream at 99.99% efficiency enabling our clients to meet emission regulations, address community concerns and improve safety at industrial sites.

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

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

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

The Company's highly specialized technical team works with the client to understand the waste gas volume and composition allowing it to determine the correct incineration product specification to achieve 99.99 percent combustion efficiency. The incinerators vary in size to accommodate small to large amounts of gas handling ranging from 20 mcf/d to 5,000 mcf/d. The incinerators also vary in automation and instrumentation depending on the client's requirements. The Company's incinerators are currently used in multiple segments of the Oil and Gas industry including drilling, completions, production, midstream, downstream, and transportation and distribution.

The Company has three primary incinerator related revenue streams: sales, rentals and services. Incinerator services include hauling, commissioning, repairs, maintenance and decommissioning. The Company's current key incineration markets are Colorado, North Dakota, Mexico, Pennsylvania, Texas, Alberta and North East BC. The United States Environmental Protection Agency (EPA) issued regulations to reduce harmful air pollution arising from crude oil and natural gas industry activities with a particular focus on the efficient destruction of volatile organic compounds (VOC's) and hazardous air pollutants (HAP's) and has recently introduced methane emission reduction legislation. In conjunction with EPA regulations, Colorado's Regulation 7 mandates the use of enclosed combustion (incinerators) and now targets methane, resulting in a statewide focus on the responsible management of potentially fugitive hydrocarbons. North Dakota also has additional requirements that reflect some of the unique and specific needs that extend beyond the EPA's requirements. Pennsylvania is proposing legislation that will limit VOC emissions to 1.7t/year and 200t/year of methane per site, necessitating the need for highly efficient combustion equipment to deal with waste and fugitive gas emissions. Other US States are also working on enhancing regulation that deal with waste gas emissions. Mexico set a target to reduce methane emissions by 75 percent by 2025 creating an opportunity for the Company to eliminate the venting of methane through our clean combustion technology. Over 90 percent of the Company's incinerator rental fleet is in Colorado and North Dakota where regulation supports demand for its proprietary high efficiency waste gas incineration systems.

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

NEW DEVELOPMENTS

In April 2020, Questor became the first ETV-certified clean combustion company in the world. ISO 14034 is an internationally recognized certificate that verifies the performance of innovative environmental technologies. The project was supported by Standard Council of Canada and the certification issued by 350Solutions. The organization is the only company accredited by national accreditation board of ANSI, in the United States.

The evaluation process of ETV certification, verifies company's performance claims according to the procedures outlined in ISO14034. This certification confirms that Questor's performance claims of 99.99% combustion efficiency and H₂S destruction efficiency. Historical data and rigorous statistical analysis were used to verify the validity of the performance claims. All data were collected on client sites during operation or during the unit performance test runs for regulatory compliance.

FINANCIAL OVERVIEW – THREE MONTHS ENDED MARCH 31, 2020 VERSUS 2019

CONSOLIDATED

Three Months Ended March 31,	2020	2019	Change
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(Unaudited)</i>			
Revenue	4,489,470	7,720,488	(42)
Gross Profit	1,986,946	4,418,783	(55)
Earnings for the period	1,265,452	2,336,069	(46)
Per share — basic	0.05	0.09	(44)
Per share — diluted	0.05	0.09	(44)
As at	March 31, 2020	December 31, 2019	
Working capital, end of period	19,995,143	17,425,861	15
Total assets, end of period	41,173,274	42,110,012	(2)
Total equity, end of period	37,046,477	35,333,667	5

FIRST QUARTER 2020 OVERVIEW

- The worldwide pandemic and commodity price collapse negatively impacted the Company's activity starting in February 2020 with more significant returns of rental units and suspension of sales orders occurring during the month of March 2020.
- Revenue decreased \$3.2 million (42 percent) for the three months ending March 31, 2020 versus the same period in 2019:
 - Incinerator equipment sales decreased 13 percent from \$2.5 million in 2019 to \$2.2 million in 2020;
 - Revenue from incinerator rentals decreased 54 percent from \$4.5 million in 2019 to \$2.0 million in 2020;
 - Incinerator service revenue decreased 61 percent from \$0.8 million in 2019 to \$0.3 million in 2020;
 - During the first quarter of 2020, the Company sold and delivered 6 incinerator units to customers.
- Gross profit decreased \$2.4 million (55 percent) from \$4.4 million in 2019 to \$2.0 million in 2020:
 - Gross profit as a percentage of revenue decreased from 57 percent in 2019 to 44 percent in 2020;
 - The Company implemented a mitigation strategy subsequent to the first quarter of 2020. The strategy revolves around:
 - Managing operations infrastructure ensuring indirect operational resources are consistent with activity;
 - Commitment to supply chain management focused on procuring quality materials and sourcing materials at competitive prices.
- Gain on foreign exchange increased \$1.0 million from 2019 to 2020:
 - The Company recorded a \$0.9 million foreign exchange gain versus a \$0.1 million loss in 2019. The foreign exchange gains resulted from the translation of cash and receivables that are held in U.S. dollars. The Canadian dollar weakened significantly versus the US dollar in the first three months of 2020 due to the collapse of energy commodity prices and general financial market uncertainty.
- Earnings decreased \$1.0 million (46 percent) from 2019 to 2020.
- The Company continues to be in a strong financial position at March 31, 2020:
 - Cash increased to \$14.9 million from \$13.5 million at December 31, 2019;
 - The Company has an undrawn \$1.0 million revolving demand loan facility and an undrawn \$5.0 million capital loan facility;
 - Healthy cash reserves provide the working capital to thrive during tough market cycles;
 - Strong balance sheet that will serve as a foundation to launch into new products and markets once the economy rebounds;
 - The Company has suspended capital expansion plans until there is a sustained commodity price recovery. This strategy preserves our liquidity while improving capital efficiency;
 - The Company applied increased focus on operating efficiencies and enhancing cash flow by working with our service providers to further reduce costs.

CONSOLIDATED

Three Months Ended March 31, <i>(stated in CDN\$)</i> <i>(Unaudited)</i>	2020 <i>(\$)</i>	2019 <i>(\$)</i>	Change <i>(%)</i>
Revenue	4,489,470	7,720,488	(42)
Cost of Sales	2,502,524	3,301,705	(24)
Gross Profit	1,986,946	4,418,783	(55)
Gross Profit (%)	44	57	(23)

REVENUE

Revenue for the three months ended March 31, 2020 is \$4.5 million versus \$7.7 million in 2019, a decrease of \$3.2 million. The following is a breakdown of revenue by the major service lines comprised of incinerator rentals (\$2.0 million versus \$4.5 million), equipment sales (\$2.2 million versus \$2.5 million) and incinerator service (\$0.3 million versus \$0.8 million).

Incinerator Rentals

The Company assesses performance of the rental revenue streams using the following parameters: 1) number of rental days, 2) revenue capacity, 3) utilization and 4) pricing. Revenue received from incinerator rentals during the three months ended March 31, 2020 is 55 percent lower than the prior year. Rental revenue was negatively influenced by the global coronavirus pandemic and economic slump weighing heavily on worldwide demand for energy leading many producers to conserve cash and cut back on projects resulting in lower demand for the Company's products and services.

Rental utilization is an efficiency measure of the rental fleet asset deployment. The utilization performance for the three months ended March 31, 2020 is approximately 50 percent lower than Company's utilization targets. Several of the Company's customers returned rental units during the period due to the impact of the worldwide pandemic and related commodity price collapse. Based upon these factors, many oil industry customers have gone into a short-term survival mode leading to cash conservation and production reductions.

Equipment Sales

Equipment sales for the three months ended March 31, 2020 decreased \$0.3 million versus the same period in 2019. While there were no new orders during the first quarter 2020, the Company did deliver on 6 incinerator sales from orders received in 2019. In addition, incinerator orders from December 2019 to be delivered in the second and third quarters of 2020 have been suspended by the customers, the orders will be revisited in the second half of 2020.

Service

Incinerator service revenue during the three months ended March 31, 2020 decreased \$0.5 million versus the same period in 2019. The Company assesses performance of the service revenue streams by job volume and pricing. Job volumes are primarily linked to equipment rental and sales activity which decreased over the prior year.

GROSS PROFIT

Gross Profit for the three months ended March 31, 2020 was \$2.0 million versus \$4.4 million in 2019, a decrease of \$2.4 million. The Company uses gross profit margin targets as a percentage of revenue to evaluate performance. The Company also measures performance by comparing gross margin contribution relative to revenue changes. For the three months ended March 31, 2020, gross profit decreased \$2.4 million on a revenue decrease of \$3.2 million. Gross profit was negatively influenced by the global market conditions.

CORPORATE

Three Months Ended March 31, <i>(stated in CDN\$)</i>	2020 <i>(\$)</i>	2019 <i>(\$)</i>	Change <i>(%)</i>
<i>(Unaudited)</i>			
Gross Profit	1,986,946	4,418,783	(55)
<i>less corporate costs:</i>			
Administration expenses	1,100,094	1,140,594	(4)
Depreciation of property and equipment	33,630	32,154	5
Amortization of intangible assets	57,212	57,516	(1)
Net foreign exchange losses (gains)	(872,752)	64,184	>100
Other income	(18,441)	(28,216)	(35)
Earnings before tax	1,687,203	3,152,551	(46)
Income Tax	421,751	816,482	(48)
Earnings for the period	1,265,452	2,336,069	(46)

ADMINISTRATIVE EXPENSES

Administrative expenses during the three months ended March 31, 2020 remained flat versus the same period in 2019. The Company assesses general administration expense performance by monitoring headcount additions and facility infrastructure costs. As mentioned in a previous section, the Company implemented plans in April to reduce its Administrative Expenses. The Company expects these fixed cost reduction measures will reduce year over year fixed costs by approximately 20%. While these cost reductions are significant, the Company will continue to look at all aspects of its business for further business optimization opportunities in these uncertain times. The Federal Government of Canada announced a new wage subsidy program recently and we will assess how this and other available programs can be utilized to reduce the impact of this downturn on our staffing levels going forward.

FOREIGN EXCHANGE GAINS/LOSSES

The Company recorded a \$0.9 million foreign exchange gain for the three months ended March 31, 2020 versus a loss of \$0.1 million in 2019. Foreign exchange gains and losses arise from the translation of net monetary assets or liabilities that are held in U.S. dollars. The foreign exchange gains incurred during the quarter are attributable to the translation of U.S. dollar-denominated monetary assets which appreciated against the Canadian dollar. The Canadian dollar weakened significantly versus the US dollar in the first three months of 2020 due to weak energy commodity prices and general financial market uncertainty.

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

INCOME TAX

The Company recorded an income tax expense of \$0.4 million for the three months ended March 31, 2020 compared to a \$0.8 million in 2019. The effective tax rate for the three months ended March 31, 2020 was 25.0 percent versus 25.9 percent for the same period in 2019. The current enacted tax rate for the Company is 25.0 percent.

Bill 3, Job Creation Tax Cut (Alberta Corporate Tax Amendment) Act, received Royal Assent on June 28, 2019. The general income tax rate on businesses will be reduced from 12% to 8% over 4 years. The Alberta provincial income tax rate is reduced to 10% for 2020, and further reduces it by 1 percent on January 1st for the years 2021, and 2022, bringing the provincial rate to 8 percent.

LIQUIDITY AND CAPITAL RESOURCES

Three Months Ended March 31,	2020	2019
<i>(stated in CDN\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(Unaudited)</i>		
Cash provided by (used in):		
Operating activities	1,360,790	1,631,394
Financing activities	82,977	223,570
Investing activities	(31,784)	(3,437,954)
Increase (decrease) in cash	1,411,983	(1,582,990)

OPERATING ACTIVITIES

Cash provided by (used in) operating activities for the three months ended March 31, 2020 was \$1.4 million versus \$1.6 million for the same period in 2019. The Company realized favorable movements in non-cash working capital during 2020 which offset the impact of the decreased earnings from the prior year.

FINANCING ACTIVITIES

During the three months ended March 31, 2020, financing activities consisted of the issuance of common shares on employee-exercised stock options providing cash proceeds of \$0.2 million, versus \$0.3 million in 2019, offset by lease obligation principal repayments of \$0.1 million. For the three months ended March 31, 2020 and March 31, 2019, the Company had in place an Operating Loan Facility ("Operating Loan"), and secured an additional Capital Loan Facility ("Capital Loan") and an Export Development Canada ("EDC") Secured Letter of Guarantee Facility. The Company's operating loan facility has a maximum amount of \$1 million, the availability of which is subject to specified margin requirements. The capital loan was secured to assist in the financing of capital expenditures. The facility makes available a revolving demand capital loan to a maximum of \$5 million. The EDC facility was secured to assist in the financing of the day-to-day operations of the Company through the issuance by the bank of letters of guarantee, standby letters of credit and performance bonds. The Company made no draws on the operating loan or capital loan facilities during the three months ended March 31, 2020 and March 31, 2019.

The availability of this facility is also subject to the Company meeting certain financial covenants. As shown in the table below, at the Quarter ended March 31, 2020, the Company complied with the financial covenants associated with its credit facilities.

Months Ended March 31,	Covenant	Actual	
		2020	2019
Working capital ratio not to fall below	1.25x	10.39x	5.20x
Debt service ratio must be greater than	1.25x	no debt	no debt
Total liability to tangible net worth not to exceed	2.5x	0.11X	0.14x

INVESTING ACTIVITIES

In light of the volatility in commodity prices, the Company has suspended capital expansion plans until there is a sustained commodity price recovery. This strategy preserves our liquidity while improving capital efficiency. The Company will focus increasingly on operating efficiencies and on enhancing cash flow by working with our service providers to further reduce costs.

The Company regularly reviews its capital equipment requirements and will continue to follow its policy of adjusting the capital budget on a quarterly basis to reflect changing operating conditions, cash flow and capital equipment needs.

CAPITAL RESOURCES

The Company believes that its cash deposits, non-cash working capital and net cash generated from operating activities is enough to fund operations and anticipated capital requirements in 2020. The debt facilities secured during the year are undrawn and available to provide additional capital resources.

At March 31, 2020, the Company had cash of \$14.9 million as compared to \$13.5 million at March 31, 2019.

SHARE CAPITAL

As of March 31, 2020, the Company had 27,372,620 common shares and 947,250 employee stock options outstanding.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Mar, 31 2020	Dec, 31 2019	Sep, 30 2019	Jun, 30 2019	Mar, 31 2019	Dec, 31 2018	Sep, 30 2018	Jun, 30 2018
<i>(stated in '000's CDN\$ except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Revenue	4,489	6,817	8,294	7,363	7,720	5,981	5,761	5,733
Gross Profit	1,987	3,242	4,035	4,566	4,419	2,776	3,880	3,285
Earnings or the period	1,265	1,062	1,968	2,062	2,336	1,513	1,746	1,781
Per share – basic	0.05	0.04	0.07	0.08	0.09	0.06	0.07	0.07
Per share – diluted	0.05	0.04	0.07	0.07	0.09	0.06	0.07	0.07

OUTLOOK

Key Markets

In response to the COVID-19 pandemic, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the spread of the virus, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. Those measures are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally has had, and will continue to have, a material adverse effect on our business, operations and financial results. In addition, the unprecedented reduction of crude oil prices due to excessive supply compared to energy consumption, notwithstanding the recent agreement among OPEC members and other global oil producing countries to implement supply reductions, will continue to have a significant impact on our industry for months to come. As such, overall market conditions are anticipated to remain uncertain for the foreseeable future. Upstream, midstream and downstream companies will continue to reduce or carefully manage spending for capital projects and operations where possible until some sort of market stability has returned.

The Company feels that a strong balance sheet is imperative for success and has focused efforts to that strategy for several years. Having a strong balance sheet not only protects the Company in economic turmoil but enables growth when the market's confidence improves. The Company currently has substantial cash reserves, a large rental fleet, and no debt.

On April 17, 2020, the Canadian federal government announced it will invest \$1.7 billion to clean up abandoned and inactive natural gas and oil wells. In addition, it will establish a \$750 million Emission Reduction Fund, with a focus on methane, to create and maintain jobs through pollution reduction efforts. This goes a long way toward indicating the federal government does understand the importance of this industry and the struggles it currently faces. The Company is currently evaluating opportunities in this area. The Company believes that it is uniquely positioned within the market to offer products and services to support these initiatives.

Operations Update

In response to the worldwide pandemic and the health threat posed to Company employees, the Company has reduced staffing levels at all locations to essential personnel only and has implemented remote work procedures for the majority of office staff.

The Company has focused its strategy to be positioned to capitalize on opportunities coming out of this downturn. During this time, we will be focusing our marketing efforts, educating our customers around our solutions for combating emissions, diversifying into other industries and expanding our waste heat to power offering. To support this effort a corporate rebranding is underway. We will continue to build our digital capability focused on an emissions platform that will eventually enable us to credibly quantify emission reductions for our clients and guarantee a zero emissions site, with the end goal of monetizing the emission reduction offsets.

The Company believes that the clean technology industry will remain an integral component of resource development over the medium to long term and that the Company will be well positioned given its focus on top-tier service, quality, logistics management. The Company's proven, cost effective technology solutions will play an instrumental role in enabling our customers to meet their goals and targets.

The following key cost and discretionary spending plan adjustments are being implemented during the second quarter 2020:

- Reduction of personnel costs via reduced work weeks, layoffs, and salary reductions;
- Reduction in discretionary costs in all categories;
- Closure of the Florida ClearPower Systems facility;
- Reduction of capital expenditures;
- Suspension of all non-essential travel;
- Modified work schedules to provide increased flexibility to respond to fluctuating demand for the Company's services.

The Company expects these fixed cost reduction measures will reduce year over year fixed costs by approximately 20%. While these cost reductions are significant, the Company will continue to look at all aspects of its business for further business optimization opportunities. The Canadian federal government announced a new wage subsidy program recently and we will assess how this and other available programs can be utilized to reduce the impact of this downturn on our staffing levels going forward.

North Dakota

While the Company realized significant market share growth in North Dakota during 2019, so far 2020 has been a challenge. Most of the 2019 growth in the State was attributable to one large client, and like many other energy companies they have moved into survival cost saving mode. During March 2020, the client notified the Company and commenced returning rental incinerators with all remaining units returned by early May. The Company has been in constant discussions with the client and it remains unclear if its requirements will increase during the second half of 2020.

Colorado

As previously announced the Company was awarded a project for a permanent incinerator in Colorado. This project is significant because it is within a Municipality that is well known to require extremely high standards for any industry that operates within their jurisdiction. Additionally, it is the Company's first opportunity in the waste-water treatment arena. The Company successfully completed this project and delivered the equipment in March 2020.

Colorado's Regulation 7 mandates the use of enclosed combustion and now targets methane, resulting in a statewide focus on the responsible management of potentially fugitive hydrocarbons. As such, Colorado is ground zero for a combination of oil and gas production and environmental stewardship with large operators changing their approach and recognizing they are dealing with a new social reality. The Company continues to see that the Colorado market is changing practices to adapt to new regulations since Senate Bill 181 was defeated.

The Company is anticipating that demand for its products and services in Colorado will decline in 2020 versus 2019 if the low oil demand and the low-price environment continues.

Canada

Based on continued volatility in commodity prices and constraints for take-away options for Western Canadian Select (WCS) production, the Company is anticipating 2020 will be a difficult year for the domestic oil and gas industry in Canada. Current regulations continue to permit flaring and do not mandate the use of efficient waste gas incineration systems. These challenges are expected to result in lower demand for its products and services in Canada.

Mexico

The Company substantially completed two large projects (96%) in Mexico during 2019. The projects were expected to be commissioned during the first quarter of 2020; however final commissioning is delayed until the Company technical staff can return to Mexico. The Company is eager to showcase its technologies to eliminate gas venting and methane and to utilize the waste heat to generate power. The Company has optimistic expectations for Mexico, given Mexico's aggressive objectives to address emissions within its mature oil and gas industry. The Company is anticipating however that demand for its products and services in Mexico will decline in 2020 due to the low-price environment and constrained capital programs.

Texas and New Mexico

Interest for wellsite emissions control is extending to the Permian basin in Texas and New Mexico especially with the challenges of lack of gas pipeline infrastructure. Despite the significant need for emissions control, the Company is anticipating that demand for its products and services will be constrained as energy companies have moved into survival cost saving mode.

Capital Expenditures

In light of the volatility in commodity prices, the Company has suspended capital expansion plans until there is a sustained commodity price recovery. This strategy preserves our liquidity while improving capital efficiency. The Company will focus increasingly on operating efficiencies and on enhancing cash flow by working with our service providers to further reduce costs.

Key Objectives

Market Share

The Company's primary objective for 2020 is to manage through the downturn and continue to support the Colorado, North Dakota, Texas, New Mexico and our new market in Mexico markets by providing best in class incineration products and services. The Company believes that the clean technology industry will remain an integral component of resource development over the medium and long term and that the Company will be well positioned given its focus on top-tier service, quality, logistics management and technology.

Product Diversification

The Company remains committed to its strategic plan of measurable technology diversification. The combination of clean combustion incineration technology with our power generation equipment at oil and gas production facilities in Mexico is expected to showcase our commitment to this strategic initiative. The Company continues to actively market its waste heat to power technology.

Innovation – Emissions Sensors

The Company continues to develop capture and transmission of field sensor data installed on our waste gas incineration systems. The data will be transmitted to an Emissions Excellence Control Center where a team will monitor all Company equipment from one central site. The objective of this project is to collect real time information to allow clients to demonstrate compliance with increasing regulations. The project includes specific focus on the efficient destruction of methane, VOCs and HAPs. The data gathered by this project will further reinforce existing data showing the Company's higher combustion performance (99.99 percent) as noted by the regulator in North Dakota. The data platform being developed will enable our clients in Colorado to meet the new proposed bill requiring continuous emissions monitoring. Confirmation and certification of emission reductions are becoming a key metric with regulators, the public, investors and shareholders. Most recently, many large global exploration & production (E&P) companies have stated specific emission reduction goals and tied executive compensation to meeting these goals.

Of particular interest is the development of data management technology to support the monetization of carbon offsets. The Company's leading combustion technology establishes an improvement over current practices (i.e. venting or combustion practices with lesser performance) providing a reduction in greenhouse gas (GHG) emissions. The difference in GHG emissions are known as carbon offsets and the Company will be implementing a feature of its data management that quantifies its combustion performance to determine carbon offsets in real time.

LITIGATION

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

The Company vs. Emissions Rx Ltd.

The Company filed a claim against three former employees on August 14, 2018 as disclosed in the year ended December 31, 2019 Management Discussion and Analysis. The Company intends to continue the litigation in order to protect its intellectual property rights. Notwithstanding the uncertainty as to the outcome, based on the information currently available, the Company does not believe the legal expenses incurred in aggregate have a material adverse effect on its consolidated financial position.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three months March 31, 2020 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Questor's significant accounting policies are described in Note 2 to the annual consolidated financial statements.

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

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

DEPRECIATION

Depreciation of the Company's property, plant and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, thereby affecting the value of the Company's property, plant and equipment.

FINANCIAL INSTRUMENTS

Financial instruments included in the Company's consolidated balance sheets are cash, accounts receivable, deposits, current tax assets, accounts payable, accrued liabilities, customer deposits and current tax liabilities.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, approximate their carrying amounts due to the short nature of those instruments.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Estimates of the Company's future taxable income are considered in assessing the utilization of available tax losses. The Company's business is complex and the calculation of income taxes involves many factors as well as the Company's interpretation of relevant tax legislation and regulations.

STOCK BASED COMPENSATION

The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model, which includes underlying assumptions, related to the risk-free interest rate, average expected option life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends.

FUNCTIONAL CURRENCY

Management applies judgment in determining the functional currency of its foreign subsidiaries. Judgment is made with regard to the currency that influences and determines sales prices, labor, material and other costs as well as financing and receipts from operating income.

CASH GENERATING UNITS

The determination of CGUs is based on Management's judgment regarding shared equipment, mobility of equipment, geographical proximity and materiality.

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 share option plan, as described in Note 22 of the December 31, 2019 Audited Financial Statements.

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

BUSINESS RISKS

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

ADVISORIES

Forward Looking Statements

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

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

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

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

ADDITIONAL INFORMATION

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