MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") of financial condition and results of operations is provided to enable readers to assess the consolidated results of operations, liquidity and capital resources of Questor Technology Inc. ("Questor" or the "Company") as at and for the year ended December 31, 2014 compared to the year ended December 31, 2013.

This MD&A, dated April 27, 2015, 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, 2014 which are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The audited consolidated financial statements for the year ended December 31, 2014 (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.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

The following MD&A contains forward-looking statements. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties, including without limitation, changes in market competition, governmental or regulatory developments, tax legislation, general economic conditions and other factors set out in the Company's public disclosure documents. Many factors could cause the Company's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements included or incorporated by reference in this MD&A, should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

BUSINESS OVERVIEW

The Company

Questor is an international environmental oilfield services provider founded in late 1994 and headquartered in Calgary, Alberta, Canada with a field office located in Grande Prairie, Alberta. The Company is focused on clean air technologies with activities in Canada, the United States, Europe and Asia. Questor designs and manufactures high efficiency waste gas incinerators for sale or for use on a rental basis and also provides combustion-related oilfield services. The Company's proprietary incinerator technology destroys noxious or toxic hydrocarbon gases at 99.99% efficiency which ensures regulatory compliance, environmental protection, public confidence and reduces operating costs for customers. Questor is recognized for its particular expertise in the combustion of sour gas (H_2S and CO_2). While the Company's current customer base is primarily in the crude oil and natural gas industry, this technology is applicable to other industries such as landfills, water and sewage treatment, tire recycling and agriculture. The acquisition of ClearPower Systems, Inc., which operates in Florida and Nevada in the United States, in January, 2014 has created an opportunity for the Company to convert waste heat, including that provided in the combustion process, to power. Questor trades on the TSX Venture Exchange under the symbol "QST".

Financial Highlights Summary – Annual

(Stated in Canadian dollars except shares outstanding)

For the years ended December 31	**2014**	2013	Increase (decrease)
Revenue	**12,414,893**	9,574,950	2,839,943
Gross profit[(1)]	**6,325,943**	4,725,576	1,600,367
ADJUSTED EBITDA[(1)]	**4,756,018**	3,527,188	1,228,830
Profit and total comprehensive income	**2,927,416**	2,544,049	383,367
Cost of sales as a percent of revenue[(1)]	**49.0%**	50.6%	(1.6%)
Funds flow from operations before movements in non-cash working capital[(1)]	**4,946,813**	3,543,893	1,402,920

As at December 31	**2014**	2013	Increase (decrease)
Total assets	**16,427,044**	14,029,829	2,397,215
Non-current liabilities	**230,822**	175,130	55,692
Shares outstanding[(2)]			
Basic	**25,579,034**	25,102,165	476,869
Diluted	**26,355,613**	25,939,888	415,725
Earnings per share - Basic	**0.114**	0.101	0.013
- Diluted	**0.111**	0.098	0.013

(1) Non-IFRS financial measure. Please see discussion in the Non-IFRS Financial Measures section of this MD&A.
(2) Weighted average.

Financial Highlights Summary - Quarterly

(Stated in thousands of Canadian dollars except per share amounts)

	2014				2013			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue	**1,570**	3,127	4,503	3,215	2,602	2,990	2,263	1,720
Gross profit(1)	**720**	1,619	2,545	1,442	1,322	1,337	1,177	890
ADJUSTED EBITDA(1)	**273**	1,362	1,967	1,154	964	1,036	798	656
(Loss)/Profit and total comprehensive (loss)/income	**(129)**	853	1,403	800	675	818	634	417
Earnings per share – Basic	**0.00**	0.03	0.06	0.03	0.02	0.03	0.03	0.02
- Diluted	**0.00**	0.03	0.05	0.03	0.02	0.03	0.03	0.02

(1) Non-IFRS financial measure. Please see discussion in the Non-IFRS Financial Measures section of this MD&A.

A number of factors contribute to variations in the Company's quarterly results including customer capital spending as it is affected by crude oil and natural gas commodity prices, changes in legislation, seasonality, the mix of capacities of incinerator units sold or rented and the level of combustion services delivered, the currency in which the sales are transacted and the timing of revenue recognition. The latter is driven by customer schedules and can vary substantially.

FINANCIAL RESULTS ANALYSIS

Questor's financial information and the related discussion of financial results are for the three months and years ended December 31, 2014 and 2013. Figures in this MD&A and the audited consolidated financial statements have been prepared in accordance with IFRS.

Profit and total comprehensive income
(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
(Loss)/Profit and total comprehensive (loss)/income	**(128,685)**	674,947	(803,632)	**2,927,416**	2,544,049	383,367
Earnings per share - Basic	**(0.005)**	0.026	(0.031)	**0.114**	0.101	**0.013**
Diluted	**(0.005)**	0.025	(0.030)	**0.111**	0.098	**0.013**

Profit and total comprehensive income for the three months ended December 31, 2014 amounted to a loss of $128,685 (($0.005) per basic share) as compared to a profit of $674,947 ($0.026 per basic share) for the 2013 comparative period. For the year ended December 31 2014, profit and total comprehensive income was $2,927,416 ($0.114 per share), 15 per cent higher than the 2013 comparative period ($2,544,049 and $0.101 per share).

The main contributing factor to the $803,632 decrease in profit and total comprehensive income for the three months ended December 31, 2014 related to the lower number of units sold and higher administration costs when compared to the same period of 2013, partially offset by higher Incinerator rental and Incinerator and combustion services revenues.

Profit and total comprehensive income for the year ended December 31, 2014 increased by 15 per cent when compared to 2013. During 2014, Sale of goods revenues increased by 10 per cent due to an increase in the capacities of units sold. Incinerator rental revenues were also higher in 2014 as were revenues from Incinerator and combustion services. Further contributing to the increase in profit were higher net foreign exchange gains and other income. Partially offsetting these gains were higher administration expense and an increase in taxes due in part to the increased income before tax earned by the company when comparing 2014 to 2013 results and in part to a higher effective rate in the current period resulting from differences in the deductibility of certain items.

Revenue

(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Sale of goods	**284,263**	2,313,773	(2,029,510)	**8,906,976**	8,122,255	784,721
Rendering of services						
Incinerator rental income	**1,089,432**	217,624	871,808	**2,746,721**	1,050,679	1,696,042
Incinerator and combustion services	**195,896**	70,463	125,433	**761,196**	402,016	359,180
	1,569,591	2,601,860	(1,032,269)	**12,414,893**	9,574,950	2,839,943

Total revenue was lower by $1,032,269 in the three months ended December 31, 2014 when compared to the same period of the prior year. The number and capacities of the units sold during the fourth quarter of 2014 were lower than in the comparative period of 2013. Partially offsetting this decrease were Incinerator rental revenues which were up 400 percent reflecting customer preferences with respect to owning or leasing units. Incinerator and combustion services revenues were higher by 178 per cent due mainly to the increased number of units operating during the final quarter of 2014 requiring commissioning or other services.

Total revenue from the sale of goods for the year ended December 31, 2014 was 10 per cent higher than 2013 as a result of the mix of capacities of units sold in the current year when compared to the prior year. Incinerator rental income and Incinerator and combustion services were higher for the full year 2014 when compared to the prior year. Customer demand drove a much higher utilization rate for the rental fleet in the current year and is expected to continue into 2015. Incinerator and combustion services revenues were higher in the current year when compared to the prior year resulting from higher commissioning services required on units sold or rented in the final quarters of 2014.

Cost of sales

(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Cost of sales	**850,205**	1,280,774	(430,569)	**6,088,950**	4,849,374	1,239,576
Cost of sales as a percent of revenue[1]	**54.2%**	49.2%	5.0%	**49.0%**	50.6%	(1.6%)

[1] *Non-IFRS financial measure. Please see discussion in the Non-IFRS Financial Measures section of this MD&A.*

Cost of sales (COS) was lower in the three months and higher in the twelve months ended December 31, 2014 when compared to the same periods of 2013. This is driven by variances in the number and capacities of those units sold and rented and the level of Incinerator and combustion services in the respective periods, partially offset by the inroads on unit cost that management achieved through competitive bidding for incinerator components that are fabricated by other parties.

COS as a percent of revenue for the three months and year ended December 31, 2014 was 54.2 percent and 49.0 percent, respectively, compared to 49.2 percent and 50.6 percent for the three months and year ended December 31, 2013. COS as a percent of revenue generally falls within a relatively narrow range but there will be variations due to differences in the margins generated by Questor's various lines of business and the level of fixed costs incurred regardless of revenues generated in the period.

Administration expenses

(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Employee costs[1]	**273,067**	203,193	69,874	**1,096,229**	872,972	223,257
Share-based payments	**96,394**	15,049	81,345	**282,619**	63,549	219,070
Consultants and contractors[1]	**30,200**	81,747	(51,547)	**146,068**	195,592	(49,524)
Marketing/business development	**31,513**	11,440	20,073	**70,752**	50,957	19,795
Office costs	**19,683**	69,463	(49,780)	**238,460**	222,987	15,473
Corporate/regulatory compliance	**148,297**	51,749	96,548	**386,619**	213,787	172,832
Research and development	**38,020**	10,585	27,435	**132,619**	21,345	111,274
Bad debts expense	**15,000**	-	15,000	**15,000**	-	15,000
Other	**14,078**	1,749	12,329	**20,184**	4,734	15,450
Administration expenses	**666,252**	444,975	221,277	**2,388,550**	1,645,923	742,627

[1] *Contract employee costs are reflected in the consultants and contractors line rather than the employee costs line in the above table which is an alternate presentation of these costs relative to such presentation in note 15 to the Company's audited consolidated financial statements as at and for the year ended December 31, 2014.*

Administration expenses of $666,252 were higher in the three month period ended December 31, 2014 when compared to $444,975 for the same period of the prior year. Employee costs increased as a result of wage increases as well as additional personnel brought on to manage the Company's growth. In addition the move from consultant to employee status for the Company's Chief Operating Officer in early 2014 drove an increase in overall employee costs. Share-based payments increased as a result of stock option grants in 2014 at higher strike prices than in the prior year, driven by the increase in the market value of the Company's shares. Consultant and contractor costs are lower in the three months ended December 31, 2014 than in the comparative period of the prior year due mainly to the move from contractor to employee of the Chief Operating Officer previously discussed. Office costs were lower in the current period as the Company's level of spending on computer related costs had settled back into maintenance mode from the upgrading mode it had been in during the final three months of the prior year. Corporate/regulatory costs were higher in the final three months of 2014 when compared to the same period of the prior year due in part to costs incurred regarding the Company's corporate structure and in part to higher directors fees paid.

On a year over year basis, 2014 administration expenses were higher than 2013 in similar categories and for the reasons discussed above with the exception of the Research and development category which is higher in the current year due to the Company's renewed focus on developing heat transfer technology to utilize heat from its incinerators as a supply for the waste heat to power units management expects will achieve commercial status during 2015.

Depreciation of property and equipment
(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Depreciation included in cost of sales	**103,822**	56,519	47,303	**297,646**	259,212	38,434
Depreciation included in expenses	**11,549**	10,264	1,285	**44,847**	41,261	3,586
Depreciation of property and equipment	**115,371**	66,783	48,588	**342,493**	300,473	42,020

Depreciation of property and equipment for the three-month period ended December 31, 2014 was higher than the corresponding period of 2013 due mainly to increases in the number of units in the rental fleet in the latter part of the current year required to meet customer needs.

On an annual basis, higher depreciation charges are the combined result of an increased number of units in the rental fleet in the latter part of the year, and increased depreciation recorded on new service vehicles acquired in the first and second quarters of the current year. This impact was partially offset by lower depreciation charges in the first two quarters of the current year when the number of units in the rental fleet was down due to the prior year's sales of units out of the fleet.

Amortization of intangible assets
(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Amortization of intangible assets	**2,229**	305	1,924	**3,447**	1,218	2,229

Amortization of intangible assets for the three-month periods and years ended December 31, 2014 and 2013 includes amortization of patent costs on a straight line basis over the life of the patent and amortization of the drawings acquired at the end of 2013.

Net foreign exchange gains (losses)
(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Realized	**(353,407)**	17,654	(371,061)	**342,881**	122,524	220,357
Unrealized	**149,807**	(2,558)	152,365	**(178,247)**	(31,162)	(147,085)
Net foreign exchange gains (losses)	**(203,600)**	15,096	(218,696)	**164,634**	91,362	73,272

The Company's net foreign exchange gains and losses are dependent on the timing and volume of sales, rentals or combustion services to customers in countries other than Canada, the relative volatility in the relationship between the Canadian dollar and primarily the U.S. dollar, and the timing of foreign currency receipts in payment of amounts outstanding.

In accordance with a foreign exchange exposure policy amended in the second quarter of 2014, the Company maintains minimum funds denominated in foreign currencies.

Finance costs
(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Short-term borrowings	**-**	-	-	**-**	-	-
Long-term borrowings	**-**	-	-	**-**	-	-
Finance costs	**-**	-	-	**-**	-	-

The Company has financed its operating and capital requirements through net cash generated from operating activities and made no draws on its revolving demand operating loan in either of the three month periods and years ended December 31, 2014 and 2013 which would otherwise have given rise to interest on short-term borrowings.

Other income

(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Government assistance	**20,750**	-	20,750	**20,750**	-	20,750
Interest income	**9,171**	132	9,039	**42,023**	4,114	37,909
Other	**750**	1,687	(937)	**4,830**	5,575	(745)
	30,671	1,819	28,852	**67,603**	9,689	57,914

In 2014 the Company received assistance from the provincial government under the Alberta Innovates – Industry r&D Associates Program which provides an annual stipend in support of costs incurred for employees to conduct certain fundable research projects. No similar such funding was received by the Company in 2013. Interest income was higher in the three months and year ended December 31, 2014 as excess funds built up and were invested in interest bearing instruments commencing in the second quarter of that year.

Income tax expense

(Stated in Canadian dollars)

	For the three months ended December 31			For the years ended December 31		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Current income tax expense/(recovery)	**(46,914)**	233,467	(280,381)	**1,098,774**	652,160	446,614
Deferred income tax expense/(recovery)	**70,419**	(11,154)	81,573	**107,695**	(43,526)	151,221
Income tax expense	**23,505**	222,313	(198,808)	**1,206,469**	608,634	597,835

Net income tax expense of $23,505 in the three months ended December 31, 2014 includes recovery of current taxes previously provided for as a result of the Company incurring a loss before tax in the final quarter of the year.

On an annual basis, income before tax was higher in the year ended December 31, 2014 when compared to the prior year due to the increase in before tax income. In addition, the prior year benefitted from the impact of the sale of units out of the rental fleet, lowering the effective tax rate for that year. In the current year, no such sales occurred.

The tax provision is described in note 17 to the audited annual consolidated financial statements as at and for the year ended December 31, 2014.

OUTLOOK

The significant decline in global oil prices over the past eight months has caused the Company's customers to look for opportunities to reduce costs, defer capital spending and focus on more profitable areas. The uncertainty and concern over low oil prices in the market has translated into significant reductions in planned capital expenditures. As a result of this, several customers' major projects, domestically and internationally that were near purchase order status were deferred. We are well positioned with a strong balance sheet, with no debt and cash in the bank to take advantage of opportunities that may arise in this market. Since Questor's inception the Company has experienced several business cycles and management understands how to bring the business through a downturn. The solutions that Questor is providing enable its customers to reduce costs, comply with regulations and improve the profitability of their operations. In the current economic environment, the option to rent equipment is attractive to both clients and the Company. Rental revenue has grown significantly this year and strategically management will continue to look for opportunities to increase the contribution of rental revenue to cash flow. Questor has considerable financial flexibility and remains well positioned to react to the opportunities in the market place.

A key area of focus for 2015 is to continue to expand the Company's presence in the United States, Canada and Europe as well as to diversify solutions for industry that are economically compelling. The demand for Questor's technology in the U.S. is expected to strengthen in 2015 as strict environmental regulation comes into force. On April 17, 2013, the United States Environmental Protection Agency (EPA) issued regulations to reduce harmful air pollution arising out of 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). Recognition of Questor's unique ability to address air quality issues and meet the new standards through application of the Company's incineration technology has led to significantly more inquiries and requests for proposal for units of all capacities on both a sale and rental basis. The superior performance of Questor's products and demonstrated operational success has led certain customers to specify the Company's equipment as a best practice.

In Europe, Questor deployed two incinerators in 2014 and is working with major oilfield service providers to deploy more equipment for flow-backs, completions and well-testing activities on either a sale or rental basis.

In addition to Europe, many other countries are considering regulations to reduce or eliminate flaring and are seeking solutions for which Questor's technology is suitable. Recognition of the Company's expertise in the combustion of hydrogen sulphide (H_2S), associated gas (gas produced with oil) and low heat content gases has also led to discussions with prospective customers for onshore and offshore projects in Europe, Mexico, the Middle East and China. While progress is being made, it has been Questor's experience that timelines towards commercial conclusion for international transactions can be protracted, making detailed predictions of revenue and earnings a challenging proposition for the Company.

Demand, however, for the Company's rental incinerator fleet was at higher levels during 2014 than in the prior year as the Company is experiencing resurging interest in the rental market in the U.S. Questor had approximately 90 percent of its rental incinerator fleet capacity committed under term contracts for periods during 2014 and anticipates the utilization rates to continue at high levels into 2015 with existing clients as well as a new and diverse customer base.

Management continues to focus on the development of strategic relationships with organizations in various regions. The U.S. continues to be a focal point for Questor and, in particular, in Colorado and neighbouring states where Questor's technology, will allow industry to conduct its operations in compliance with new regulations requiring enclosed combustion resulting in "closed loop flow backs".

Questor acquired ClearPower Systems Inc. ("ClearPower") early in the year, which has developed technology that will transform waste heat from any source into power. The integration of waste heat from Questor's incineration process with the power generation capability is expected to present a valued solution for current and future customers. Management continues to evaluate the waste heat market to which this technology can be directly applied (without incineration as the heat source) and believes the market to be substantial resulting in revenue generation from this business segment beginning in Q3-2015. The Company has opened a facility in Florida to assemble units once commercial capability is achieved. The acquisition of ClearPower is one key part of Questor's diversification strategy in order to bolster sales that can be independent of oil prices. Questor will be the recipient of contributions from Sustainability Development Technology Canada (SDTC) commencing in 2015 and will utilize those funds to develop power generation from the waste heat in its incinerators.

In addition, ClearPower will serve waste heat markets outside of the oil and gas industry as well as retrofitting existing facilities. ClearPower's combined heat and power (CHP) ORC unit will be retrofitted on existing exhaust stacks such as those from compressors and engines where exhaust heat is produced as well as replacing aerial coolers prevalent in the industry. Questor views this market as large and continues to ensure that ClearPower has the necessary resources to complete the required tasks to commercialize.

Diversification of technology continues with Questor's development of waste water vaporization. In 2004 we had worked with a major U.S. oil producer to supply a similar solution for a facility in Thailand. The unit is still in operation and the solution is under consideration for some marginal wells in that country. Prior to the decline of commodity prices in Q4 2014 Questor evaluated this technology for waste water flow backs from hydraulically fracturing operations. These, typically, utilize large flow rates of water and the cost of transportation and disposal of this waste stream has significantly increased completion costs. Questor's solution is to use the waste heat from the clean combustion of flow back hydrocarbons to vaporize this contaminated water resulting in a significantly reduced waste stream and therefore lowered costs.

With the decline of drilling and completion activity, Questor shifted its focus to offering this solution to production operations. The volumes and flow rates are much lower; however, the opportunities are significant. In Western Canada there are over 125,000 inactive wells. Each province has developed programs to combat the rising count of these wells so that the responsibility does not rest with the province for such wells that become orphaned due to economics.

In Alberta, for example, the November 2014 introduced Inactive Well Compliance Program is aimed at the 37,000 non-compliant inactive wells out of a total of 80,000 inactive wells. As oil prices dropped to $50 per barrel wells continued to be shut in due to marginal and/or negative economics. This leads to larger numbers of inactive wells and a decrease in provincial revenue from royalties. Water vaporization will convert economically poor and shut-in wells into meaningfully profitable producers. An average shut in well with break-even economics that now employs water vaporization will reduce operating costs by 60% and generate an additional $500,000 in annual revenue.

Industry has also communicated that this technology also has application in areas where there is limited and seasonal access to well sites to transport produced water away. By reducing the volume of this water by up to 90% the wells can now be operated year round and at a much reduced cost.

Similar to the hydraulic fracturing flow back approach, Questor's solution is to combust the gas at its industry tested performance of 99.99% combustion efficiency in order to generate sufficient heat energy to vaporize the produced water. Discussions have already taken place with large oil and gas producers to demonstrate this technology at strategic locations with the direction to commercialize by Q3-2015. Questor views this as a critical forward strategy for industry to maintain productivity in a sustainable manner. This technology is also one of the keys for Questor to diversify its offerings and produce growth regardless of the new well activity or commodity price.

In the U.S. Questor has strengthened its position by completing EPA testing of two of the more commonly utilized incinerators. These units will be marketed for their performance in waste gas combustion for tank vapours and dehydrator emissions, two areas where the EPA has requirements for better performance. With compliant solutions Questor will now be in a position of greater strength in offering water vaporization and waste heat to power from incineration.

Colorado and neighbouring states continue to rent incinerators on a longer term basis in 2015 to meet the increasingly strict demands that continue to be implemented by various state and federal regulators. Oil producers expose themselves to large fines and shut in production should they fail to comply with new rules.

Industry is always looking for ways to reduce operating costs and effective water management is certainly one of the highest costs that the oil and gas sector faces. The current practice of deep well injection of the entire volume of waste water permanently disposes the water and its impurities. Questor's solution will not only be a turning point in terms of lowering costs but it will return up to 90% of the waste stream to the ecosystem as water vapor, positive impact on the environment. Additionally, there has been much community concern over seismic activity in areas where significant water disposal is occurring.

Questor continues to work towards the commercialization of CHP and water vaporization in 2015 as a means of operating attractive business solutions to industry while contributing to Questor's growth. Management will ensure the intellectual property is protected to provide for movement into this wide open market in as an extensive manner as possible. Sales and Marketing have been added to the team in order to present our existing combustion solutions as well as our new technology offerings to a much wider audience than our current people capacity allows. Understanding our clients' changing needs, new regulatory rules and technology diversification are critical to Questor's strategy and direction for aggressive growth.

The Company's focus in the coming year is to increase profitability and create long-term value through strategic expansion of the Company's presence in the United States and Europe, continued new product development efforts, improved asset utilization and cost management. At December 31, 2014, the Company had confirmed incinerator sales orders of $2.4 million of which 61 per cent is expected to be recognized in the first quarter of 2015 and the balance in subsequent quarters.

FINANCIAL POSITION

The following table outlines the significant changes in Questor's financial position from December 31, 2013 to December 31, 2014.

Statement of financial position item	Increase (decrease)	Explanation
Cash	(1,682,733)	While the Company generated considerable cash from its operations during the year, it invested in the rental fleet, in its inventory of incinerators available for sale and in research and development through the acquisition of ClearPower and that company's continued work on commercializing the waste heat to power generation units.
Trade and other receivables	181,742	The increase is due primarily to the relationship between the timing and volume of revenues generated in the final quarter of the comparative years offset by the collection timing in each year.
Inventories	(148,734)	The Company's inventories are comprised of Materials and parts, Work in progress and Finished goods with Work in Progress being the largest component. At yearend 2014, there were fewer units in fabrication than at year end 2013.
Property and equipment	2,152,184	The increase is the combined impact of the transfer of finished units from Work in progress into the rental fleet, partially offset by depreciation charges. Further information is provided in the Invested Capital section of this MD&A.
Intangible assets	1,240,505	The Company invested in research and development with respect to the commercialization of technology acquired in the purchase of the shares of ClearPower Systems, Inc. which technology uses waste heat from any source to generate power.
Trade payables, accrued liabilities and provisions	(583,374)	The decrease relates to the composition and timing of business activities, particularly incinerator construction, reflected at the end of the respective years. At yearend 2014, the Company had a lesser number of units in fabrication as compared to those in fabrication at the end of 2013.
Income tax assets and liabilities	(192,228)	Higher income tax expense on higher income in the current year was partially offset by provisions for taxes paid to foreign jurisdictions and recoverable when filing current year tax returns with federal and provincial authorities.
Deferred revenue and deposits	(252,356)	Amounts received from customers as deposits on units awaiting fabrication and delivery were less at December 31, 2014 than at December 31, 2013.

INVESTED CAPITAL

During the year ended December 31, 2014, invested capital of $217,330 included additions to incinerator rental units of $47,477. The balance of the expenditures included $124,061 for new service vehicles and trailer related expenditures, $24,826 for additions to the Company's computing hardware and software, $9,718 for new tools and $11,248 for office furniture and equipment at the Grande Prairie location. The Company also transferred costs of $2,118,079 from Work in progress to Finished goods and then to Property and equipment for units that were designated as rental units during the year. No units previously designated as rental units were sold during 2014.

Questor also invested $2,090,618 in 2014 in the acquisition of intangible assets related to the engineering design and prototype of waste heat to power generation units it anticipates will reach commercial status during the second quarter of 2015 and contribute revenue to the consolidated entity commencing in the third quarter of the year.

During the year ended December 31, 2013, invested capital of $206,491 included additions to incinerator rental units of $102,613. The balance of the expenditures included $90,104 related to new service vehicles and trailers, $9,084 for computer hardware and software and $4,690 for new tools. The Company also reclassified $352,719 of costs on Capital projects in progress to Work in progress to accommodate the delivery timing of incinerator sales orders for which the incinerators under construction for purposes of capital additions were suitable. In addition, the Company transferred net costs of $578,668 during the year, from Property and equipment to Cost of sales for units that were previously rented out but which met the criteria for size and timing for sales to customers. The Company disposed of a service vehicle with a net book value of $5,347 for proceeds of $5,000, resulting in a net loss on disposition of $347 and received insurance proceeds of $23,550 as a result of one of the vehicles at the Grande Prairie operation being involved in an accident and determined to be a write off by the insurance company, resulting in a gain of $14,804.

In addition to the investments of capital described above, in 2014 the Company invested $5,889,007 (2013 - $3,946,065) for fabrication of units sold in the year or held in inventory. Of the total amount expended on unit fabrication, $3,921,858 (2013 - $3,416,418), was charged to Cost of sales for those units that were sold and the remainder is reported as Inventory at December 31, 2014 and 2013.

LIQUIDITY AND CAPITAL RESOURCES

Questor historically has used debt and equity financing to the extent that net cash generated from operating activities, cash balances and deposits received from customers in respect of a sale were insufficient to fund capital expenditures and working capital changes. Management does not reasonably expect any presently known trend or uncertainty to affect the Company's ability to access its anticipated sources of cash. Management further expects that cash generated from operations and current cash deposit amounts will be sufficient to meet budgeted operating requirements and anticipated capital requirements for the coming year.

Cash Flows
(Stated in Canadian dollars)

For the years ended December 31	**2014**	2013	Increase (decrease)
Cash and cash equivalents at the beginning of year	**7,323,303**	4,405,624	2,917,679
Cash provided by (used in):			
Operating activities	**366,410**	3,052,270	(2,685,860)
Investing activities	**(2,307,948)**	(196,751)	(2,111,197)
Financing activities	**181,975**	68,625	113,350
Effect of exchange rate changes on cash	**76,830**	(6,465)	83,295
Cash and cash equivalents at end of the year	**5,640,570**	7,323,303	(1,682,733)

Operating Activities

While cash generated from operations saw a 40 per cent improvement in 2014 when compared to 2013, movements in working capital including an increase in units in inventory, a reduction in trade payables due to the stages of completion of the units and a reduction in deferred revenue due to timing of sales in each year all worked to reduce cash provided by operating activities.

Working Capital
(Stated in Canadian dollars unless otherwise noted)

As at	**December 31 2014**	December 31 2013	Increase (decrease)
Current assets	**11,064,976**	12,747,848	(1,682,872)
Current liabilities	**1,632,534**	2,689,143	(1,056,609)
Working capital	**9,432,442**	10,058,705	(626,263)
Current ratio	**6.8**	4.7	1.6

Investing Activities

Cash flows used in investing activities in the year ended December 31, 2014 were $2,307,948 compared to $196,751 in 2013. Cash invested in the rental fleet and other Property and equipment was similar in the two years, but in 2014, the Company invested $2,090,618 in waste heat to power technology.

Financing Activities

Net cash provided by financing activities during the year ended December 31, 2014 was $181,975 compared to $68,625 in the same period of 2013. In each period, the Company received proceeds from share option exercises in these amounts.

Capital Resources

The Company believes that its cash deposits and net cash generated from operating activities will provide sufficient capital resources and liquidity to fund existing operations and anticipated capital requirements in 2015.

At December 31, 2014, the Company had cash and cash equivalents of $5,640,570 as compared to $7,323,303 at December 31, 2013. The foreign currency composition of the cash balances is described in note 5 to the audited annual consolidated financial statements as at and for the year ended December 31, 2014. The use of cash during 2014 is described in the Financial Position and Liquidity and Capital Resources sections of this MD&A.

At December 31, 2014, the Company had no borrowings outstanding but had a Letter of Guarantee in the amount of $40,000 issued under its credit facilities which expired March 1, 2015. The credit facilities to which the Company has access are described in note 11 to the audited annual consolidated financial statements as at and for the year ended December 31, 2014. As of the date of this MD&A, no amounts are drawn against these facilities.

All of the borrowing facilities from the chartered bank 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. Questor was in compliance with these covenants as at the end of each fiscal quarter and as at December 31 in 2014 and 2013.

Contractual Obligations and Commitments

As at December 31, 2014 and 2013, the Company had the following contractual obligations and commitments:

Leasehold improvements

On December 14, 2010, Questor executed an offer to lease new corporate office space in Calgary, Alberta, Canada for a six-year term commencing May 1, 2011. The offer contemplated Questor expending a minimum of $128,125 for leasehold improvements prior to commencement of the term for which the Company would receive gross rent abatement for 26 months. The Company incurred leasehold improvement costs of $176,867 thereby meeting the rent abatement terms and conditions. Consequently, the Company recorded an office lease incentive liability amount in each of the 26 months commencing May 2011 and ending June 30, 2014 and is drawing down that liability over the remaining 46 months of the lease. This lease inducement amounts to $121,337 at December 31, 2014 (2013 – $173,339), of which the amount that will be drawn down within one year is $52,002 (2013 – $52,002). Future minimum lease payments, inclusive of estimated operating costs, pursuant to the office space lease are included in the lease agreement commitments table below.

Lease agreements

The lease agreement on the head office space is described in the discussion above. Effective September 1, 2013, Questor entered into a five year lease on larger premises in the Grande Prairie location where final fabrication detail and logistics regarding the Company's sales and rental units and combustion services are managed.

Future minimum lease payments under operating leases for office and production spaces expiring April 30, 2017 and September 30, 2018, inclusive of estimated operating costs, are as follows:

2015	**357,168**
2016	**360,269**
2017	**257,750**
2018	**135,594**
	1,110,781

Non-Derivative Financial Liabilities

At December 31, 2014 and 2013, the Company had the following contractual maturities with respect to non-derivative financial liabilities:

As at	Maturity	**December 31 2014**	December 31 2013
Trade payables, accrued liabilities and provisions	Within 1 year	**1,162,885**	1,746,259
Current portion of lease inducement	Within 1 year	**52,002**	52,002
Current tax liabilities	Within 1 year	**417,647**	638,527
		1,632,534	2,436,788

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

FINANCIAL INSTRUMENTS

The Company's financial instruments consist, from time to time, of cash and cash equivalents, short-term investments, trade and other receivables, short-term and long-term borrowings and trade payables, accrued liabilities and provisions. 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. The carrying value of short-term borrowings, when they exist, approximates the fair value as it bears interest at a floating interest rate as described in note 11 to the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2014. The carrying value of long-term borrowings would also approximate fair value as the fair value of long-term borrowings is estimated using discounted cash flows based on current rates of interest. At December 31, 2014 and 2013, there were no short-term or long-term borrowings outstanding. The Company did not hold or issue any derivative financial instruments during 2014 or 2013.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. At December 31, 2014 and 2013, there was no impairment required on any of the financial assets of the Company other than an allowance for doubtful accounts provision more fully described in note 23 to the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2013.

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. These risks are described in note 23 to the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2014.

BUSINESS CONDITIONS AND RISK MANAGEMENT

The Company is exposed to the following business risks, among others, with the potential to affect financial performance.

Energy Industry Dynamics

The Company is subject to the risks and variables inherent in providing services to the crude oil and natural gas industry. Demand for the Company's incinerator technology and other potential environmental technologies are primarily dependent upon the exploration, development and production activities of the energy industry and related capital expenditures. These activities are directly affected by factors such as crude oil and natural gas commodity prices, changes in legislation, exchange rates, the state of domestic and international economies, alternative energy sources and other factors, many of which are beyond the control of the Company, its customers and the industry. Certain aspects of the Company's activities, particularly incinerator rentals, are at risk should sustained levels of cash flow in the energy industry not be achieved. The Company's combustion service operations are not dependent on client capital expenditures to the same extent as incinerator rental activities, thereby providing a buffer to declining industry expenditures. Also partially offsetting the preceding potential impacts is increasing environmental regulation requiring companies to seek air quality solutions or otherwise be penalized. This latter factor is driving demand for the Company's technology and serves to mitigate the economic variables previously discussed.

Proprietary Technology

Questor's success is dependent upon intellectual capital, including innovation, ideas, patents and proprietary technology. The Company relies principally upon patent and trade secret laws to protect its technology as well as non-disclosed proprietary information. There can be no assurance that these laws will be adequate to prevent third party development of the same or similar technology. Management focuses on providing quality equipment, excellent service and solid engineered solutions to attract and retain clients.

Competitive Technologies

The Company is also at risk because of the potential for other environmental technologies to make the Company's incinerator technology obsolete or for competing incinerator providers to impact the Company's market share related to its incinerator technology. To counter the business risks and diversify the revenue base of the Company, Questor continues to focus on the establishment of international client relationships in the petroleum production and processing industry, the development of new applications for industries where Questor's proprietary technology would also prove effective and the development of compatible air quality solutions to extend Questor's product line and the enhancement of the Company's product with respect to economic uses of the waste heat generated in the incineration process.

Sales Sustainability

Sales of incinerators are inherently unpredictable and it is not certain the Company will replicate the number or volume of incinerator sales in each year. The Company has entered into strategic relationships to address sales sustainability risks.

Reliance on Key Personnel

Questor's success and future operations are dependent upon the expertise, experience, abilities, judgement and efforts of senior management, key technical consultants and certain field employees of the Company. Any loss of the services of these individuals may have a material adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to the Company's technology development projects. Additionally, Questor's ability to expand its products and services is dependent upon its ability to attract additional qualified employees. The Company provides its staff with a quality working environment and competitive remuneration and, consequently, has not had any significant issues, historically or anticipated in the future, with respect to attracting and retaining employees.

Financial Risk

The Company is exposed to credit risk, liquidity risk, and market price risk (interest rate and foreign currency) as a result of holding financial instruments.

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The credit risk relating to cash and short-term investment balances is limited because the counterparty is a large commercial bank in Canada. Financial instruments that subject the Company to credit risk consist primarily of trade receivables. The amounts reported for trade receivables in the balance sheet are net of allowances for doubtful accounts and the net carrying value represents the Company's maximum exposure to credit risk.

Trade receivables credit exposure is minimized by entering into transactions with creditworthy counterparties, requiring deposits for incinerator sales, requiring progress payments or letters of credit in respect of international sales and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the energy industry and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date however industry practice can extend these terms and the Company has experienced longer trade receivable collection cycles in 2014.

The amounts reported for trade and other receivables in the statement of financial position are net of allowances for doubtful accounts and bad debts. At December 31, 2014, the trade and other receivables were $3,059,999 (2013 - $2,863,257). Eighteen customers comprise $1,747,049 of trade and other receivables amounts past due for greater than 90 days at December 31, 2014 (2013 - $334,885 from thirteen customers). Of that amount, one customer owed $1,313,723 for the purchase of three incinerators of which $1,089,891 was paid in January 2015 and the balance was subject to holdback for commissioning of the units. A provision for doubtful accounts of $15,000 was recorded in 2014 (2013 – NIL).

Liquidity Risk

Liquidity risk is the risk that Questor will not be able to meet its financial obligations as they fall due. The Company generally relies on cash deposits, funds generated from operations, deposits received from customers in respect of a sale and credit facilities to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to finance the development of new clean air technologies or acquisitions. The Company believes it has sufficient working capital to meet future obligations as they come due, the details of which are addressed in the Liquidity and Capital Resources section of this MD&A.

Interest Rate Risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. From time to time, the Company may invest excess cash in bankers' acceptances, term deposits and treasury bills issued by credit worthy banking institutions or draw on its revolving demand operating loan facility to fund its operations with floating rate borrowings as described in note 11 to the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2014. These activities expose Questor to changes in interest receipts and payments due to fluctuations in interest rates.

The Company currently does not use interest rate hedges or fixed interest rate contracts to manage its exposure to interest rate fluctuations.

Foreign Exchange Risk

Foreign currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Questor maintains cash balances and enters into transactions denominated in foreign currencies, principally in United States dollars, which exposes the Company to fluctuating balances and cash flows due to variations in foreign exchange rates.

The Canadian equivalent carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities was as follows:

As at	**December 31 2014**	December 31 2013
Cash	**790,491**	476,164
Trade and other receivables	**785,786**	2,294,864
Monetary assets	**1,576,277**	2,771,028
Trade payables, accrued liabilities and provisions	**8,675**	63
Deferred revenue and deposits	**-**	252,356
Current tax liabilities	**54,001**	3,330
Monetary liabilities	**62,676**	255,749
Net monetary assets	**1,513,601**	2,515,279

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the Canadian dollar and the foreign currency dollar would impact profit before tax by approximately $75,680 (2013 - $125,627 based on the respective levels of net monetary assets.

To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates. However, the Company has a facility available to purchase foreign forward exchange contracts if required, as described in note 11 to the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2014.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

The Company defines key management personnel as being the directors, executive officers and other senior management personnel reporting directly to the President and Chief Executive Officer of the Company. 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 notes 12 and 16 of the annual consolidated 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 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 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 vest immediately and become exercisable.

For the years ended December 31	**2014**	2013
Salaries, director's fees and other short-term employee benefits	**1,046,105**	701,210
Consulting services fees [(1)]	**14,535**	158,335
Share-based benefits	**148,589**	72,814
	1,209,229	932,359

(1) *Before GST.*

Other key management personnel transactions

In the normal course of business, the Company may transact with related parties. These transactions are recorded at their exchange amounts which approximate fair value.

For the years ended December 31	**2014**	2013
Service vehicles and parts purchased at market rates from a corporation owned by a director of the Company [(1)]	**$ -**	$ 87,348
	$ -	$ 87,348

There were no amounts owing from or to related parties included in the preceding other key management personnel transactions at December 31, 2014 and 2013.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company's obligations under guarantees are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements. At December 31, 2014 and 2013, the Company had not entered into any off-balance-sheet arrangements other than those noted in the Contractual Obligations and Commitments section of this MD&A.

SHARE CAPITAL

The following table indicates the common shares and share options issued and outstanding at December 31, 2014, December 31, 2013 and April 15, 2015.

As at	**April 27 2015**	**December 31 2014**	December 31 2013
Shares issued and outstanding	**25,839,870**	**25,839,870**	25,232,370
Share options outstanding	**1,180,500**	**1,180,500**	1,400,000
Share options exercisable	**529,500**	**155,000**	425,000

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's audited consolidated financial statements for the years ended December 31, 2014 and 2013 have been prepared in accordance with IFRS applicable to the preparation of consolidated financial statements. Questor's significant accounting policies are described in note 3 to the Company's audited consolidated financial statements as at and for the year ended December 31, 2014. The Company has consistently applied these same accounting policies throughout all periods presented.

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The most critical of these policies with respect to estimates are those related to componentization and useful lives of property and equipment and intangible assets, impairment of non-financial assets, share-based payments and taxation. These critical judgments in applying accounting policy and other key sources of estimation uncertainty are described in note 2 to the audited consolidated financial statements as at and for the year ended December 31, 2014.

CHANGES IN ACCOUNTING POLICIES

2014 changes in accounting policies

For a detailed discussion of the Company's compliance with IFRS, refer to notes 2 and 3 to the audited consolidated financial statements as at and for the year ended December 31, 2014.

Recent accounting pronouncements

New and revised IFRSs in issued in 2014 but not yet effective

IFRS 15 *Revenue from Contracts with Customers*

The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes the IASB's current revenue recognition guidance including IAS 18 *Revenue,* IAS 11 *Construction Contracts,* and related interpretations.

The core principle of the new standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

IFRS 15 was issued in May 2014 and applies to reporting periods on or after January 1, 2017 with earlier adoption permitted. The Company has not determined at this time what impact, if any, adopting the new standard will have on its consolidated financial statements.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisition of Interests in Joint Operations*

The objective of the amendment is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 *Business Combinations.* Acquirers of such interest are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. The most significant impact will be on the recognition of goodwill, if applicable, and the recognition of deferred tax assets and liabilities.

The amendments were issued in May 2014 and apply to reporting periods on or after January 1, 2016 with earlier adoption permitted. The Company has not determined at this time what impact, if any, adopting the new amendments will have on its consolidated financial statements.

Amendments to IAS 16 *Property, Plant and Equipment,* and IAS 38 *Intangible* Assets: Clarification of Acceptable Methods of Depreciation and Amortization

In issuing the amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. This presumption can only be rebutted in two limited circumstances: (a) the intangible asset is expressed as a measure of revenue and (b) the revenue and consumption of the intangible asset are highly correlated.

The amendments were issued in May 2014 and are to be applied prospectively and effective for annual reporting periods beginning on or after January 1, 2016 with earlier adoption permitted. The Company has determined that, based on its current depreciation and amortization policies, the amendments will not have any effect on its consolidated financial statements.

IFRS 9 *Financial Instruments*

The new standard outlines a comprehensive response for entities to use in accounting for financial instruments. It replaces the IASB's current IAS 39 *Financial Instruments: Recognition and Measurement*. The core principles of the new standard incorporate a single principle-based approach to classification and measurement, the introduction of a new, expected-loss impairment model for the recognition of expected credit losses, a reformed model for hedge accounting, derecognition, and changes to the so-called ‘own credit’ issue.

IFRS 9 was issued in July 2014 and applies to reporting periods on or after January 1, 2016 with earlier adoption permitted. The Company has not determined at this time what impact, if any, adopting the new standard will have on its consolidated financial statements.

Amendments to IFRS 14 *Regulatory Deferral Accounts*

The amendments are applicable to first-time adopters of IFRS with rate-regulated activities, permitting a transitional approach to regulatory deferral account balances.

The Company has determined that the amendments will not have any effect on its consolidated financial statements.

Amendments to IAS 16 *Property, Plant and Equipment,* and IAS 41 *Agriculture*

IAS 16 now includes bearer plants within its scope rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.

The amendments were issued in June 2014 and are effective for annual reporting periods beginning on or after January 1, 2016, with earlier adoption permitted. The Company has determined that the amendments will not have any effect on its consolidated financial statements.

Amendments to IAS 27 *Equity Method in Separate Financial Statements*

In issuing the amendments, the IASB has reinstated the equity method as an accounting option for investment in subsidiaries, joint ventures and associates in an entity’s separate financial statements. Separate financial statements are not required by IFRSs, but may be required by local regulation or other financial statement users to measure investments in subsidiaries, joint ventures and associates. The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

i) at cost,

ii) in accordance with IFRS 9 *Financial Instruments*, or

iii) in accordance with IFRS 28 *Investment in Associates and Joint Ventures*.

The amendments were issued in August 2014 and are to be applied retrospectively and effective for annual reporting periods beginning on or after January 1, 2016 with earlier adoption permitted. The Company has determined that, at the present time, the amendments will not have any effect on its consolidated financial statements.

Amendments to IFRS 10 *Consolidated Financial Statements,* and IAS 28 *Investments in Associates and Joint Ventures*

Amendments to IFRS 10 and IAS 28 are based on the IASB’s publication of ‘*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*’ to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

The amendments were issued in September 2014, are to be applied prospectively, and are effective for annual reporting periods beginning on or after January 1, 2016, with earlier adoption permitted. The Company has determined that, at this time, the amendments will not have any effect on its consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The IASB's Annual Improvements Cycle 2012-2014 was issued in September 2014 and makes amendments to the following four standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 7 Financial Instruments: Disclosures

IAS 19 Employee Benefits

IFRS 34 Interim Financial Reporting

The amendments are effective for annual reporting periods beginning on or after January 1, 2016, with earlier adoption permitted. Entities are permitted to early adopt any individual amendment without early adopting all other amendments.

The Company has determined that, at this time, the amendments will not have any effect on its consolidated financial statements.

IAS 1 *Presentation of Financial Statements*

On December 18, 2014, the IASB amended certain disclosure requirements within IAS 1, as part of a broad, ambitious review of disclosure requirements and professional judgments as part of a '*Disclosure Initiative'* project. The amendments clarify:

- Immaterial information can detract from useful information,
- Materiality applies to the whole of the financial statements,
- Materiality applies to each disclosure requirement in an IFRS,
- Removing an interpretation as to any specific order of the notes in the financial statements,
- Flexibility & judgments related to accounting policy disclosures.

The amendments are to be applied prospectively, and are effective for annual reporting periods beginning on or after January 1, 2016, with earlier adoption permitted. The Company has determined that, at this time, the amendments will not have any effect on its consolidated financial statements.

Amendments to IFRS 10 *Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*

Amendments to IFRS 10, IFRS 12 and IAS 28 were issued on December 18, 2014 and address issues in applying the consolidation exception for investment entities. The amendments clarify exemptions from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing related services, application issues of the equity method to an associate or a joint venture and additional disclosure requirements under IFRS 12 for investment entities measuring all subsidiaries at fair value.

NON-IFRS FINANCIAL MEASURES

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by IFRS and previous GAAP and may not be comparable to similar measures presented by other entities. The purpose of these financial measures and their reconciliation to IFRS financial measures is discussed below.

Gross Profit

(Stated in Canadian dollars)

	Three months ended December 31		Years ended December 31	
For the	**2014**	2013	**2014**	2013
Gross profit	**719,386**	1,321,086	**6,325,943**	**4,725,576**
Add:				
Other income	**30,671**	1,819	**67,603**	**9,689**
Deduct:				
Administration expenses	**666,252**	444,975	**2,388,550**	**1,645,923**
Gain/(loss) on disposal of property and equipment	**-**	(14,804)	**-**	**(14,457)**
Depreciation of property and equipment	**4,857**	10,264	**44,847**	**41,261**
Amortization of intangible assets	**905**	305	**3,447**	**1,218**
Net foreign exchange (gains) losses	**203,600**	(15,095)	**(164,634)**	**(91,363)**
Income tax expense	**23,505**	222,313	**1,206,469**	**608,634**
Exchange differences on translating foreign operations	**(20,377)**	-	**(12,549)**	**-**
(Loss)/Profit and total comprehensive income (IFRS financial measure)	**(128,685)**	674,947	**2,927,416**	**2,544,049**

Gross profit is a measure of the Company's operating profitability. Gross profit provides an indication of the results generated by the Company's principal business activities before corporate activities and costs and prior to accounting for how these activities are financed, assets are amortized or how the results are taxed. Gross profit is calculated from the Statement of Comprehensive Income and is defined as revenue less cost of sales.

Earnings Before Interest, Taxes, Depreciation and Amortization and non-cash share-based payments (Adjusted EBITDA)

(Stated in Canadian dollars)

For the	Three months ended December 31 **2014**	2013	Years ended December 31 **2014**	2013
Adjusted EBITDA	**272,769**	964,348	**4,756,018**	3,527,188
Deduct:				
Depreciation of property and equipment (including amount in cost of sales)	**108,679**	66,783	**342,493**	300,473
Amortization of intangible assets	**905**	305	**3,447**	1,218
Share-based payments	**288,742**		**288,742**	72,814
Income tax expense	**23,505**	222,313	**1,206,469**	608,634
Exchange difference on translating foreign operations	**(20,377)**	-	**(12,549)**	-
(Loss)/Profit and total comprehensive income (IFRS financial measure)	**(128,685)**	674,947	**2,927,416**	2,544,049

Adjusted EBITDA is also a measure of the Company's operating profitability. Adjusted EBITDA provides an indication of the results generated by the Company's principal business activities prior to accounting for how these activities are financed, assets are amortized or how the results are taxed. Adjusted EBITDA is calculated from the Statement of Comprehensive Income and is defined as gross profit plus other income less administration expenses, write-off of property and equipment and non-cash shared-based payments.

Cost of Sales as a Percent of Revenue

(Stated in Canadian dollars unless otherwise noted)

For the	Three months ended December 31 **2014**	2013	Years ended December 31 **2014**	2013
Cost of sales (IFRS financial measure)	**850,205**	1,280,774	**6,088,950**	4,849,374
Revenue (IFRS financial measure)	**1,569,589**	2,601,860	**12,414,893**	9,574,950
Cost of sales as a percent of revenue	**54.2%**	49.2%	**49.0%**	50.6%

Cost of sales as a percent of revenue is a measure of the Questor’s operating profitability generated by the Company's principal business activities prior to administration costs and how these activities are financed or results are taxed. Cost of sales as a percent of revenue is calculated from the Statement of Comprehensive Income and is defined as cost of sales divided by revenue where revenue does not include other income.

Cash Generated from Operations before Movements in Non-Cash Working Capital

($ unless otherwise noted)

For the years ended December 31	**2014**	2013
Cash generated from operations before movements in non-cash working capital	**4,946,813**	3,543,893
Movements in non-cash working capital	**(3,434,516)**	(391,512)
Income taxes paid	**(1,145,887)**	(100,111)
Net cash generated from operating activities (IFRS financial measure)	**366,410**	3,052,270

Cash generated from operations before movements in non-cash working capital is used to assist management and investors in analyzing operating performance, after interest and taxes, without regard to the impact of foreign exchange gains or losses to cash and to changes in the Company's non-cash working capital in the period. Funds generated from operations as presented should not be viewed as an alternative to net cash generated from operating activities, or other cash flow measures calculated in accordance with IFRS. Cash generated from operations before movements in non-cash working capital is calculated from the Statement of Cash Flows and is defined as net cash generated from operating activities before changes in non-cash working capital and income taxes paid or refunded.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Alberta Securities Commission, and the securities commissions in the other jurisdictions in which Questor is registered, has exempted venture issuers from certifying to the establishment and maintenance of disclosure controls and procedures as well as internal controls over financial reporting. As a venture issuer, Questor is required under National Instrument 52-109 to file basic certificates which the Company has done for each fiscal quarter since the exemption came into effect on December 31, 2007.

The Company is cognizant of the impact that good internal controls have with regards to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation. The Company continues to maintain, wherever practical, disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under applicable securities legislation is accumulated and communicated to management, including the certifying officers, to allow timely decisions and actions regarding required disclosure. The Company also endeavours to establish and maintain adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements.