MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These consolidated financial statements are the responsibility of the management of Questor Technology Inc. and have been approved by the Board of Directors of the Company. They have been prepared in accordance with International Financial Reporting Standards using management's best estimates and judgments, where appropriate. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information contained in this report. In the preparation of these consolidated financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management is also responsible for ensuring that it fulfills its responsibilities for financial reporting and internal control.

The Board of Directors is composed primarily of directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board (the "Committee"). The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to the Board.

Deloitte LLP, the independent auditor, has audited Questor Technology Inc.'s consolidated financial statements in accordance with Canadian generally accepted auditing standards and has provided an independent opinion. The auditor has full and unrestricted access to management and to the Committee to discuss their audit and related findings as to the integrity of the financial reporting process.

(signed) "Audrey Mascarenhas"
Audrey Mascarenhas
President and Chief Executive Officer
April 25, 2016

(signed) "Dan Zivkusic"
Dan Zivkusic
Chief Financial Officer and Corporate Secretary
April 25, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Questor Technology Inc.

We have audited the accompanying consolidated financial statements of Questor Technology Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Questor Technology Inc. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"Signed by Deloitte LLP"

Chartered Professional Accountants, Chartered Accountants
April 25, 2016
Calgary, Alberta

QUESTOR TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	**December 31 2015**	December 31 2014
ASSETS			
Current assets			
Cash	5	**$5,127,371**	$5,640,570
Trade and other receivables	6, 24	**2,148,171**	3,044,999
Inventories	7	**1,905,429**	2,210,542
Prepaid expenses and deposits		**119,144**	119,667
Current tax assets		**655,587**	49,198
Total current assets		**9,955,702**	11,064,976
Non-current assets			
Property and equipment	8	**3,840,751**	3,408,250
Intangible assets	9	**1,797,033**	1,266,420
Goodwill	4, 10	**687,398**	687,398
Total non-current assets		**6,325,182**	5,362,068
Total assets		**$16,280,884**	$16,427,044
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables, accrued liabilities and provisions	11	**$893,398**	$1,162,885
Deferred revenue and deposits		**78,176**	-
Current portion of lease inducement		**52,002**	52,002
Current tax liabilities		**77,206**	417,647
Total current liabilities		**1,100,782**	1,632,534
Non-current liabilities			
Deferred tax liabilities	18	**293,523**	161,487
Lease inducement	25	**17,334**	69,335
Total non-current liabilities		**310,857**	230,822
Total liabilities		**1,411,639**	1,863,356
Capital and reserves			
Issued capital	13	**6,031,141**	5,934,704
Reserves	14	**1,108,074**	875,288
Retained earnings		**7,722,999**	7,741,147
Cumulative translation adjustment		**7,031**	12,549
Total equity		**14,869,245**	14,563,688
Total liabilities and equity		**$16,280,884**	$16,427,044

Commitments and contingencies 25, 27

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

Approved by the Board of Directors:

(signed) James Inkster
James Inkster, Director

(signed) Audrey Mascarenhas
Audrey Mascarenhas, Director

QUESTOR TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Stated in Canadian dollars

For the years ended December 31	Notes	**2015**	2014
Revenue	15	**$8,112,913**	$12,414,893
Cost of sales	7, 16	**(4,760,469)**	(6,088,950)
Gross profit		**3,352,444**	6,325,943
Administration expenses	16	**(2,835,155)**	(2,388,550)
Depreciation of property and equipment	8	**(44,314)**	(44,847)
Amortization of intangible assets	9	**(3,620)**	(3,447)
Net foreign exchange gains		**323,591**	164,634
Other (expense) income	15	**(652,274)**	67,603
Profit before tax		**140,672**	4,121,336
Income tax expense	18	**(158,820)**	(1,206,469)
(Loss) Profit for the year		**(18,148)**	2,914,867
Other comprehensive (loss) income, net of income tax			
Exchange differences on translating foreign operations		**(5,518)**	12,549
Total comprehensive (loss) income		**$(23,666)**	$2,927,416
(Loss) Earnings per share	19		
Basic		**$(0.00)**	$0.11
Diluted		**$(0.00)**	$0.11

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

QUESTOR TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Stated in Canadian dollars

	Issued capital	Reserves	Retained earnings	Cumulative Translation Adjustment	Total equity
Balance at January 1, 2015	**$5,934,704**	**$875,288**	**$7,741,147**	**$12,549**	**$14,563,688**
Loss for the year	-	-	**(18,148)**	**-**	**(18,148)**
Recognition of share-based payments	**-**	**272,349**	**-**	**-**	**272,349**
Issue of ordinary shares under employee share option plan	**96,437**	**(39,563)**	**-**	**-**	**56,874**
Translation of foreign operations	**-**	**-**	**-**	**(5,518)**	**(5,518)**
Balance at December 31, 2015	**$6,031,141**	**$1,108,074**	**$7,722,999**	**$7,031**	**$14,869,245**
Balance at January 1, 2014	$5,636,119	$703,156	$4,826,280	$ -	$11,165,555
Profit for the year	-	-	2,914,867	-	2,914,867
Recognition of share-based payments	-	288,742	-	-	288,742
Issue of ordinary shares under employee share option plan	298,585	(116,610)	-	-	181,975
Translation of foreign operations	-	-	-	12,549	12,549
Balance at December 31, 2014	$5,934,704	$875,288	$7,741,147	$12,549	$14,563,688

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

QUESTOR TECHNOLOGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Stated in Canadian dollars

For the years ended December 31	Notes	**2015**	2014
Cash flows from (used in) operating activities			
(Loss) Profit for the year		**$(18,148)**	$2,914,867
Adjustments for:			
Income tax expense	18	**158,820**	1,206,469
Depreciation of property and equipment	8,16	**498,841**	342,493
Amortization of intangible assets	9	**3,620**	3,447
Net unrealized foreign exchange (gains) losses		**(115,164)**	190,795
Expense recognized in respect of equity-settled share-based payments	13, 17	**272,349**	288,742
Funds flow from operations		**800,318**	4,946,813
Movements in non-cash working capital	22	**238,117**	(3,434,516)
Cash generated from operations		**1,038,435**	1,512,297
Income taxes paid		**(1,088,315)**	(1,145,887)
Net cash (used in) operating activities		**(49,880)**	366,410
Cash flows used in investing activities			
Payments for property and equipment	8	**(222,789)**	(217,330)
Payments for intangible assets	9	**(1,096,137)**	(1,089,908)
Research grant (funding for waster heat to power intangible)	9	**617,893**	(1,000,710)
Net cash used in investing activities		**(701,033)**	(2,307,948)
Cash flows from financing activities			
Proceeds from issue of ordinary shares under employee share option plan	13	**56,874**	181,975
Net cash from financing activities		**56,874**	181,975
Net decrease in cash		**(694,039)**	(1,759,563)
Cash at beginning of the year		**5,640,570**	7,323,303
Effects of exchange rate changes on the balance of cash held in foreign currencies		**180,840**	76,830
Cash and cash equivalents at end of the year		**$5,127,371**	$5,640,570

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

QUESTOR TECHNOLOGY INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Stated in Canadian dollars except share data or where otherwise specified

1. DESCRIPTION OF BUSINESS

Questor Technology Inc. ("Questor" or the "Company") is incorporated in Canada under the Business Companies Act (*Alberta*) and its common shares are traded on the TSX Venture Exchange under the symbol "QST". During January 2014, the Company acquired ClearPower Systems, Inc. ("ClearPower") a business incorporated in the United States ("US") under the laws of the State of Delaware. During November 2014, the Company incorporated Questor Solutions & Technology Inc. ("QST") a business incorporated in the United States ("US") under the laws of the State of Delaware. ClearPower and QST's results and financial position are consolidated in these consolidated financial statements (See Note 2). The address of the Company's corporate and registered office is 1121, 940 – 6th Avenue S.W., Calgary, Alberta, Canada, T2P 3T1.

Questor is a public, international environmental Cleantech company founded in late 1994 and headquartered in Calgary, Alberta, with field offices located in; Grande Prairie, Alberta; Brighton, Colorado; and Brooksville, Florida. The company is active in Canada, the United States, Europe and Asia and is focused on clean air technologies that safely and cost effectively improves air quality, support energy efficiency and greenhouse gas emission reductions. Questor designs, manufactures and services high efficiency waste gas combustion systems; as well as, power generation systems and water treatment solutions utilizing waste heat. Our proprietary incinerator technology is utilized worldwide in the effective management of Methane, Hydrogen Sulphide gas, Volatile Organic Hydrocarbons, Hazardous Air Pollutants and BTEX gases ensuring sustainable development, community acceptance and regulatory compliance. Questor and its subsidiary, ClearPower Systems are providing solutions for landfill biogas, syngas, waste engine exhaust, geothermal and solar, cement plant waste heat in addition to a wide variety of oil and gas projects in Canada, throughout the United States, the Caribbean, Western Europe, Russia, Thailand, Indonesia and China. With a focus on solid engineering design, our products enable our clients to operate cost effectively in an environmentally responsible and sustainable manner.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are effective or available for adoption on December 31, 2015.

These consolidated financial statements were authorized for issue by the Board of Directors on April 22, 2016.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency

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

Accounting estimates and judgments

In the application of the Company's accounting policies, which are described in Note 3, 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 years 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgements in applying accounting policies and other key sources of estimation uncertainty at the end of the reporting year that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Componentization and useful lives of property and equipment and intangible assets

Amounts recorded for depreciation and amortization expense are based on the Company's componentization of its property and equipment and intangible assets and management's estimates of the useful life, pattern of consumption of future economic benefits and residual values of the Company's property and equipment and intangible assets. These estimates affect the carrying amount of property and equipment and intangible assets and are disclosed in notes 8 and 9, respectively.

Impairment of non-financial assets

The determination of whether indicators of impairment exist and the aggregation of assets into cash-generating units ("CGU's") based on their ability to generate independent cash flows are subject to management's judgment. The recoverable amounts used for impairment calculations require estimates of future cash flows related to the assets or CGU's and estimates of discount rates applied to these cash flows.

Carrying Value of Goodwill

Goodwill represents an excess of the purchase price over the fair value of net assets acquired and is not amortized. The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Determining the fair value of such share-based awards requires judgment as to the appropriate valuation model and the inputs for the model require assumptions including the rate of forfeiture of options granted, the expected life of the option, the expected volatility of the Company's share price, the risk-free interest rate and expected dividends. The assumptions and models used by management to determine the fair value of share options are disclosed in note 17.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Company operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income.

The Company is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Other

Other areas where the Company has made subjective estimates and judgments as a result of matters that are inherently uncertain, but which are not anticipated to have a significant risk of causing a material adjustment, are the fair value of financial instruments, revenue recognition by reference to the stage of completion of the contract, allowances for uncollectible trade receivables, likelihood of loss from litigation and estimates for warranty costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are considered to be significant and have been applied consistently by the Company to all periods presented in these consolidated financial statements.

Foreign currencies

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in profit in the period in which they arise.

Inventories

Inventories consist of materials and supplies used in operations and in the fabrication of incinerators, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the construction or acquisition of the asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recorded so as to recognize the cost or valuation of assets (other than capital projects in progress) less their residual values over their useful lives, using the method specified for the particular assets:

Asset	Rate	Method
Rental incinerators	5 – 20 years	Straight-line
Detachable trailers for rental incinerators	10 years	Straight-line
Vehicles and utility trailers	30%	Declining balance
Tools and equipment	20%	Declining balance
Leasehold improvements	Shorter of estimated useful life and lease term	Straight-line
Office furniture and equipment	20%	Declining balance
Computer hardware and embedded systems software	30%	Declining balance

When a property and equipment asset has significant components with different useful lives, each significant component is depreciated separately. Such is the case for rental incinerators.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Repairs and maintenance costs that do not improve or extend productive life are recognized in profit or loss in the period in which the costs are incurred.

When an incinerator from the rental fleet is sold to a customer, the depreciated cost of the incinerator is transferred from Property and equipment to Work in progress. These costs, plus any additional costs to ready the unit for the customer are transferred to finished goods when completed and then to cost of sales once the incinerator is transported to the customer's site.

Intangible assets

Intangible assets acquired separately

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

Questor filed its Canadian patent on November 3, 1999 and received approval on May 1, 2007, at which time amortization commenced. This patent will remain in effect until November 2, 2019 at which time the associated costs will be fully amortized.

Management commissioned the development of a set of drawings for the fabrication of trailers for certain sized incinerators such that movement from site to site can be easily achieved in incinerator rental situations.

Internally-generated intangible assets - Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

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

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

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives, such as deferral of cash payments, are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

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

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable, net of sales tax, trade discounts, rebates and similar allowances.

The revenue recognition criteria set out below is applied to the separately identifiable component of a single transaction in order to reflect the substance of the transaction. The consideration received from the transaction is allocated to the separately identifiable components based on the relative fair value of each component.

Revenue is recognized when the criteria specific to each separately identifiable component is met and the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of goods

Revenue from the sale of incinerators and parts is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. Significant risks and rewards are generally considered to be transferred to the buyer when the goods are delivered and legal title has passed.

In general, the Company has no further performance obligations other than those under its standard warranty.

Rendering of services

Revenue from incinerator rentals and the provision of incinerator and combustion services is recognized by reference to the stage of completion of the contract.

Incinerator rental income
Revenue from incinerator rentals is recognized on a straight-line basis over the term of the rental agreement.

Amounts received from customers for use of an incinerator on a trial basis are reflected in the accounts as deferred revenue and deposits until the trial period ends and the nature of the revenue is determined.

Incinerator and combustion services
The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period; and
- Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

Interest income

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

Government assistance

Government grants and investment tax credits are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants and/or investment tax credits will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grants are intended to compensate as expenses.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Investment tax credits on Scientific Research and Experimental Development expenditures are reflected in the intangible assets as deductions from development costs when the expenditures giving rise to the investment tax credits that have been capitalized to intangible assets. Otherwise, investment tax credits on Scientific Research and Experimental Development expenditures are recorded as other income.

Cost of sales

Cost of sales includes direct materials, direct labour, warranties and indirect overhead related to the field office and depreciation relating to the rental incinerators, detachable trailers for rental incinerators, vehicles and utility trailers and tools and equipment as well as the cost of share based payment arrangements for employees in the field.

Employee benefits

Post-employment benefits

The Company does not provide post-employment benefits.

Short-term benefits

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

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 16.

The fair value determined at the grant date of the equity-settled share-based payments is recognized as an employee expense, with a corresponding increase in equity, over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

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

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

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

Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Company assuming exercise of all share options with exercise prices below the average market price for the year.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company's financial assets and financial liabilities are classified into the following categories:

Financial asset/liability	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade payables, accrued liabilities and provisions	Other financial liabilities	Amortized cost

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company has designated its cash and trade and other receivables as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

The Company has no fair value through profit or loss, held-to-maturity or available-for-sale financial assets.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Company has designated its trade payables, accrued liabilities and provisions as other financial liabilities. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company has no financial liabilities at fair value through profit or loss.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments and hedge accounting

To date, Questor has not utilized hedges or other derivative financial instruments in its operations.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Impairment

Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of the an allowance or provision for impairment account. Such a provision is established when there is reasonable expectation that the company will not be able to collect all amounts due. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The Company assesses goodwill at least annually. Goodwill is allocated to each operating segment, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The fair value of each operating segment is compared to the carrying value of its net assets.

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

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

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

New accounting policies

There were no new IFRS or IFRIC interpretations that became effective on or after January 1, 2015 that had a material impact on the Company.

Recently Issued Accounting Standards Not Yet Applied

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize all leases on the balance sheet. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted for companies that also applies IFRS 15 Revenue from Contracts with Customers. The Company is currently evaluating the impact of the standard on its financial statements.

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will come into effect for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the standard on its financial statements.

In July 2014, the IASB completed the final elements of IFRS 9 Financial Instruments. The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9, as amended, includes a principle based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially reformed approach to hedge accounting. IFRS 9 will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the standard on its financial statements periods.

4. BUSINESS COMBINATION

On January 31, 2014, Questor completed the acquisition of 100% of the outstanding shares of ClearPower Systems Inc., a Delaware company with prototype technology that uses waste heat to generate power. Total consideration paid was $900,000 USD ($1,000,710 CAD) cash. The allocation of the total consideration to the net assets acquired is summarized below:

Assets acquired and liabilities recognized at the date of the acquisition:

Non-current assets

Prototype unit	$ 159,268
Intangible assets	154,044
	$ 313,312

Consideration transferred	$ 1,000,710
Less: Fair value of identifiable nets assets acquired	313,312
Goodwill arising on acquisition	$ 687,398

In the Consolidated Statements of Comprehensive Income (loss) acquisition related costs amounting to $13,841 have been expensed in the current year within the "administration expenses" line item.

Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	$ 1,000,710
Less: cash	-
	$ 1,000,710

5. CASH

The Company's cash balances at December 31, of which those held in foreign currencies are reported at their Canadian dollar equivalent, are as follows:

As at December 31	2015	2014
United States dollars	**$1,610,529**	$790,491
Euros	**11,814**	11,521
Other non-Canadian currencies	**95**	65
	1,622,438	802,077
Canadian dollars	**3,504,933**	4,838,493
	$5,127,371	$5,640,570

The Company's exposure to interest rate and foreign currency risks and sensitivity analysis for financial assets is discussed in note 24.

6. TRADE AND OTHER RECEIVABLES

As at December 31	2015	2014
Trade receivables	**$2,135,629**	$3,039,228
Other receivables	**12,542**	20,771
	2,148,171	3,059,999
Allowance for doubtful accounts	**-**	(15,000)
	$2,148,171	$3,044,999

During 2015, the Company wrote-off $706,929 of receivables as result of two customers filing chapter 11 bankruptcies. The write-off has been recorded to other income (expense) discussed in note 15. The Company's exposure to credit and foreign currency risks is discussed in note 24.

7. INVENTORIES

As at December 31	2015	2014
Materials and supplies	**$162,569**	$112,593
Work in progress	**1,742,860**	2,097,949
Finished goods	**-**	-
	$1,905,429	$2,210,542

Inventory costs included in cost of sales:

For the years ended December 31	2015	2014
Expensed inventories	**$1,978,463**	$3,921,858

8. PROPERTY AND EQUIPMENT

Cost	Rental incinerators	Detachable trailers for rental incinerators	Vehicles and trailers	Tools and equipment	Waste heat to power generation units	Leasehold improvements	Office furniture and equipment	Computer hardware and software	Total
Balance at January 1, 2014	$1,560,330	$291,009	$192,707	$55,294	$0	$176,867	$48,242	$57,197	$2,381,646
Business combination	-	-	-	-	159,268	-	-	-	159,268
Additions	47,477	-	124,061	9,718	-	-	11,248	24,826	217,330
Transfers	2,118,079	(4,000)	4,000	-	-	-	-	-	2,118,079
Balance at December 31, 2014	$3,725,886	$287,009	$320,768	$65,012	$159,268	$176,867	$59,490	$82,023	$4,876,323
Additions	**-**		**70,713**	**141,445**	**-**	**7,719**	**849**	**2,063**	**222,789**
Transfers	**665,063**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**665,063**
Balance at December 31, 2015	**$4,390,949**	**$287,009**	**$391,481**	**$206,457**	**$159,268**	**$184,586**	**$60,339**	**$84,086**	**$5,764,175**
Accumulated depreciation									
Balance at January 1, 2014	$620,283	$230,975	$101,939	$33,495	-	$78,592	$23,760	$36,536	$1,125,580
Depreciation charges included in:									
Cost of sales	210,227	34,567	47,762	5,090	-	-	-	-	297,646
Depreciation expense	-	-	-	-	-	29,472	5,380	9,995	44,847
Balance at December 31, 2014	$830,510	$265,542	$149,701	$38,585	-	$108,064	$29,140	$46,531	$1,468,073
Depreciation charges included in:									
Cost of sales	**383,885**	**5,746**	**58,798**	**4,888**	**-**	**725**	**110**	**374**	**454,527**
Depreciation expense	**-**	**-**	**-**	**-**	**-**	**29,472**	**5,543**	**9,299**	**44,314**
Transfers	**(43,490)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(43,490)**
Balance at December 31, 2015	**$1,170,905**	**$271,288**	**$208,499**	**$43,473**	**-**	**$138,261**	**$34,793**	**$56,205**	**$1,923,424**
Carrying amounts									
At December 31, 2014	$2,895,376	$21,467	$171,067	$26,427	$159,268	$68,803	$30,350	$35,492	$3,408,250
At December 31, 2015	**$3,220,044**	**$15,721**	**$182,982**	**$162,984**	**$159,268**	**$46,325**	**$25,546**	**$27,881**	**$3,840,751**

8. PROPERTY AND EQUIPMENT (continued)

When an incinerator from the rental fleet is sold to a customer, the depreciated cost of the incinerator is transferred from Property and equipment to Work in progress. These costs, plus any additional costs to ready the unit for the customer are transferred to finished goods when completed and then to cost of sales once the incinerator is transported to the customer's site.

During the year ended December 31, 2015, the company transferred costs of $665,063 (2014 - $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. The company incurred expenditures of $222,789 ($2014 - $217,330), consisting of additions to the Company's vehicles and trailers, tools and equipment, leasehold improvements, computing hardware and software, and office furniture and equipment.

9. INTANGIBLE ASSETS

	Development Costs & Drawings	Patents	Total
Balance at January 1, 2014	$296,606	$15,225	$311,831
Business combination (Note 4)	154,044	-	154,044
Additions	1,089,908	-	1,089,908
Balance at December 31, 2014	1,540,558	15,225	1,555,783
Additions	**1,152,126**	**-**	**1,152,126**
Research Funding	**(617,893)**	**-**	**(617,893)**
Balance at December 31, 2015	**$2,074,791**	**$15,225**	**$2,090,016**
Accumulated Amortization			
Balance at January 1, 2014	$277,796	$8,120	$285,916
Amortization expense	2,229	1,218	3,447
Balance at December 31, 2014	280,025	9,338	289,363
Amortization expense	**2,404**	**1,216**	**3,620**
Balance at December 31, 2015	**$282,429**	**$10,554**	**$292,983**
Carrying Amounts			
At December 31, 2014	1,260,533	5,887	1,266,420
At December 31, 2015	**$1,792,362**	**$4,671**	**$1,797,033**

The Company continued to engineer and refine the design of the Waste Heat to Power technology during 2015 incurring additional costs of $1,152,126 (2014 - $1,084,684), which have been capitalized as intangible assets, the cumulative costs recorded to intangibles for the Waste Heat to Power technology is $2,236,810.

The Company received funding from Sustainable Development Technology Canada during 2015 of $617,893 (2014 – nil) to assist in the development and commercialization of the Waste Heat to Power technology. The funding was a reimbursement of the costs already incurred and recorded to intangible assets.

10. GOODWILL

As at December 31	2015	2014
Goodwill	**$687,398**	**$687,398**

For impairment testing purposes, goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to the ClearPower Systems CGU.

Management performed the annual impairment tests of goodwill and indefinite life intangible assets at December 31, 2015. The recoverable amounts of the ClearPower Systems segment have been determined based on a value in use calculation using post-tax cash flow projections from financial budgets approved by senior management for 2016, forecasts over a five year period based on management's best estimates, and uses a post-tax discount rate of 30%.

The most significant assumptions used in the impairment calculation are the discount rate and the estimates used in determining future expected cash flows. The Corporation performed a sensitivity analysis by changing the post-tax discount rates by +/- 0.5% and noted no material impact in the ClearPower Systems segment's recoverable amount."

11. TRADE PAYABLES, ACCRUED LIABILITIES AND PROVISIONS

As at December 31	2015	2014
Trade payables	**$804,438**	$545,912
Accrued liabilities	**83,500**	611,512
Provisions	**5,460**	5,460
	$893,398	$1,162,884

The Company's exposure to liquidity and foreign currency risks related to trade payables, accrued liabilities and provisions is discussed in note 24.

12. SHORT-TERM BORROWINGS

The Company has available a revolving demand operating loan to a maximum of $560,000, the availability of which is subject to specified margin requirements. The revolving demand operating loan bears interest at bank prime plus 1 percent per annum. The Company has provided a general security agreement and an assignment of insurance proceeds as security. Up to $100,000 of this loan is available to secure the issue of letters of credit and/or letters of guarantee for suppliers. At December 31, 2015, the Company had no outstanding amount of letters of guarantee on this facility. At December 31, 2014, the Company had outstanding on this facility a Letter of Guarantee in an amount of $40,000 as a performance bid bond to an entity in a foreign country relating to the potential sale of two incinerators. The Letter of guarantee credit expired March 1, 2015.

The Company has a demand revolving foreign exchange facility established to a maximum of USD 630,000 to purchase foreign forward exchange contracts in order to hedge against currency fluctuations. This facility is secured by a general security agreement and an assignment of insurance proceeds. The availability of this facility is also subject to the Company meeting certain financial covenants. No amounts have been drawn on this facility to date.

None of the borrowing facilities are subject to standby fees and there is no specified facility expiration or renewal date.

All of the borrowing facilities have financial tests and other covenants customary for these types of facilities. At the end of each fiscal quarter the Company's debt-to-tangible-net-worth must be less than 2.5 and the Company's working capital ratio must be greater than 1.25. At the end of each fiscal year, Questor's debt service coverage ratio must be in excess of 1.25.

13. ISSUED CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

Shares issued and outstanding	Number of shares	Share capital
Shares issued and outstanding January 1, 2014	25,232,370	$5,636,119
Issue of ordinary shares under employee share option plan	607,500	298,585
Shares issued and outstanding, December 31, 2014	25,839,870	5,934,704
Issue of ordinary shares under employee share option plan	125,000	96,437
Shares issued and outstanding, December 31, 2015	**25,964,870**	**$6,031,141**

Share options granted under the Company's employee share option plan

The Company has a share option plan under which directors, officers, key employees and consultants of Questor are eligible to receive grants at market prices. Options may be granted to purchase authorized but unissued common shares of the Company to a maximum of 4,708,474 shares. Options granted under the plan have a term of five years to expiry and one quarter of the options vest on each of the first, second, third and fourth anniversary dates of the grant date on a cumulative basis.

At December 31, 2015, directors, officers, key employees and consultants held options of 850,500 ordinary shares of the Company (2014 - 1,180,500).

Share-based payment costs for the year ended December 31, 2015 were $272,349 (2014 - $288,742). Of this amount, $5,158 (2014 - $6,123) was included in cost of sales and the balance in administration expenses.

Further details of the employee share option plan are provided in notes 17.

14. RESERVES

For the years ended December 31	2015	2014
Reserves at beginning of the year	**$875,288**	$703,156
Recognition of share-based payments	**272,349**	288,742
Issue of ordinary shares under employee share option plan	**(39,563)**	(116,610)
Reserves at end of the year	**$1,108,074**	$875,288

15. REVENUE AND OTHER INCOME (EXPENSE)

The following is an analysis of the Company's revenue:

For the years ended December 31	**2015**	2014
Sale of goods	**$3,950,895**	$8,906,976
Rendering of services		
Incinerator rental income	**3,067,334**	2,746,721
Incinerator and combustion services	**1,094,684**	761,196
	$8,112,913	$12,414,893

The following is an analysis of the Company's other income (expense):

For the years ended December 31	**2015**	2014
Government assistance	**$-**	$20,750
Net interest income	**37,589**	42,023
Other	**17,066**	4,830
Bad debt expense	**(706,929)**	-
	$(652,274)	$67,603

During 2015, the Company wrote-off $706,929 of receivables as result of two customers filing chapter 11 bankruptcies.

16. NATURE OF EXPENSES

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

For the year ended December 31, 2015	**Cost of sales**	**Administration expenses**
Employee costs excluding share-based payments	**$470,073**	**$1,307,797**
Share-based payments	**5,158**	**267,191**
Depreciation	**454,527**	**-**
Direct materials, warranties and indirect overhead related to the field office	**3,830,711**	**-**
Office and corporate related costs	-	**1,260,167**
	$4,760,469	**$2,835,155**

For the year ended December 31, 2014	Cost of sales	Administration expenses
Employee costs excluding share-based payments	$583,046	$1,096,229
Share-based payments	6,123	282,619
Depreciation	297,646	-
Direct materials, warranties and indirect overhead related to the field office	5,202,135	-
Office and corporate related costs	-	1,009,702
	$6,088,950	$2,388,550

17. SHARE-BASED PAYMENTS

The Board of Directors has adopted and approved a share option plan for the directors, officers, consultants and key employees and affiliates of the Company. The share option plan was approved by the shareholders of the Company on June 15, 2001 and as amended on June 3, 2005.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Board grants share options from time to time based on its assessment of the appropriateness of doing so in light of the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract particular key personnel, the number of share options already outstanding and overall market conditions.

The following share-based payment arrangements were in existence at December 31, 2015 and 2014:

At December 31, 2015

Number outstanding	**Grant date**	**Expiry date**	**Remaining contractual life**		**Exercise price**		**Fair value at grant date**	**Number exercisable**
25,000	26-Apr-11	26-Apr-16	0.32		0.23		0.1585	25,000
467,500	25-Apr-12	25-Apr-17	1.32		0.28		0.1953	292,500
348,000	15-Apr-14	15-Apr-19	3.29		2.48		1.7631	87,000
40,000	09-Jun-14	09-Jun-19	3.44		3.99		2.7769	10,000
880,500			**2.20**	**(1)**	**$ 1.35**	**(2)**		**414,500**

At December 31, 2014

Number outstanding	Grant date	Expiry date	Remaining contractual life(1)		Exercise price		Fair value at grant date	Number exercisable
25,000	26-Apr-11	26-Apr-16	1.32		0.225		0.1585	0
505,000	25-Apr-12	25-Apr-17	2.32		0.28		0.1953	155,000
262,500	25-Apr-13	25-Apr-18	3.32		0.53		0.3685	0
348,000	15-Apr-14	15-Apr-19	4.29		2.48		1.7631	0
40,000	09-Jun-14	09-Jun-19	4.44		3.99		2.7769	0
1,180,500			3.17	(1)	$ 1.11	(2)		155,000

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

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

	Grant date for options issued in 2015 (nil) and 2014	
Inputs to the model	09-Jun-14	15-Apr-14
Grant date share price[(1)]	3.99	2.48
Exercise price ($)	3.99	2.48
Expected volatility (%)	90	90
Expected life (years)	5	5
Expected dividend yield (%)	-	-
Risk-free interest rate (%)	1.31	1.47
Forfeiture rate (%)[(2)]	9.4	9.4

(1) *Weighted average of closing market prices of the common shares on the TSX Venture Exchange on the dates of grant or the first trading day immediately following the dates of grant if no common shares traded on the grant dates.*
(2) *A forfeiture rate is estimated for the number of options expected to vest. Consequently, the Company has adjusted its share-based payments to reflect a forfeiture rate estimate.*

The share options outstanding and exercisable at the beginning and end of the years ended December 31 is as follows:

	Options Outstanding			
	2015		2014	
	Number	**Exercise price[(1)]**	Number	Exercise price[(1)]
Balance at beginning of the year	**1,180,500**	**$1.11**	1,400,000	**$0.33**
Granted	**-**	**-**	388,000	2.64
Forfeited	**(175,000)**	**-**	-	-
Exercised	**(125,000)**	**0.46**	(607,500)	0.30
Balance at end of the year	**880,500**	**$1.35**	1,180,500	**$1.11**
Exercisable at end of the year	**414,500**	**$0.83**	155,000	**$0.28**

(1) *Weighted average.*

18. INCOME TAXES

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

For the years ended December 31	**2015**	2014
Profit before tax	**$140,672**	$4,121,336
Statutory income tax rate (%)	**26.0**	25.5
Expected taxes at statutory rate	**36,575**	1,049,168
Increase (decrease) in taxes resulting from:		
Permanent differences between accounting and tax basis of assets and liabilities	**(15,811)**	83,234
Change to income tax rate	**17,331**	-
Other	**120,725**	74,067
Income tax expense	**$158,820**	$1,206,469

The provision for income taxes is comprised of the following:

	2015	2014
Current	**$26,783**	$1,098,774
Deferred	**132,037**	107,695
Income tax expense	**$158,820**	$1,206,469

Questor’s income taxes are calculated according to government tax laws and regulations which result in different values for certain assets and liabilities for income tax purposes than for financial statement purposes. The amounts shown on the statement of financial position as deferred tax assets and deferred tax liabilities represent the net difference between tax values and book carrying values at substantively enacted tax rates.

The Company offsets deferred assets and deferred liabilities for the statement of financial position presentation purposes because there is a legally enforceable right to set off income taxes levied by the same taxation authority on the same taxable entity.

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

As at December 31	**2015**	2014
Development costs	**$(32,307)**	$(28,086)
Property and equipment	**(279,937)**	(163,735)
Lease inducement	**18,721**	30,334
Deferred tax liabilities	**$(293,523)**	$(161,487)

19. EARNINGS PER SHARE

Basic earnings per share

For the years ended December 31	**2015**	2014
Profit for the period attributable to ordinary equity holders	**$(18,148)**	$2,914,867
Weighted average number of ordinary shares for the purposes of basic earnings per share	25,922,747	25,579,034
Basic earnings per share	**$(0.00)**	$0.11

Diluted earnings per share

For the years ended December 31	**2015**	2014
Profit for the period attributable to ordinary equity holders	**$(18,148)**	$2,914,867
Weighted average number of ordinary shares for the purposes of diluted earnings per share	25,922,747	26,355,613
Diluted earnings per share	**$(0.00)**	$0.11

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

For the years ended December 31	**2015**	2014
Weighted average number of ordinary shares for the purposes of basic earnings per share	**25,922,747**	25,579,034
Shares deemed to be issued for no consideration in respect of employee options	**-**	776,579
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**25,922,747**	26,355,613

For the year ended December 31, 2015 shares deemed to be issued were not included in the computation of diluted earnings per share, because to do so would have been anti-dilutive. The number of shares not included for the year ended December 31, 2015 was 81,323.

20. SEGMENTED INFORMATION

The Company reports its financial results as one reportable segment.

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

Revenue

For the years ended December 31	**2015**	2014
Canada	**$4,310,144**	$6,646,495
United States	**3,800,890**	5,246,373
Russia	**1,879**	447,604
Europe	**-**	68,763
Other	**-**	5,658
	$8,112,913	$12,414,893

The following table provides information regarding the location of the Company's property and equipment on a geographic basis as determined by the location of the customer or third party.

Property and equipment

As at December 31	**2015**	2014
Canada	**$2,148,379**	$1,778,156
United States	**1,692,372**	1,630,094
	$3,840,751	$3,408,250

All other of the Company's non-current assets are located in Canada.

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

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

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements other than the financial tests and covenants associated with its credit facilities as described in note 11. At December 31, 2015, Questor was in compliance with these covenants.

The Company's capital structure consists of equity and cash. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing credit facilities, raise new debt and issue common shares. It is expected, however, that Questor's funds generated from operations and cash amounts will provide sufficient capital resources and liquidity to fund existing operations in 2016 and anticipated capital expenditures.

A key measure the Company utilizes in evaluating its capital structure is the ratio of debt-to-total capitalization. Debt-to-total capitalization is calculated as debt divided by total capitalization. Debt is defined as total short- and long-term borrowings unadjusted for cash balances. Equity is defined as capital and reserves attributable to equity holders. Total capitalization is defined as the sum of debt unadjusted for cash balances and the book value of equity.

The debt-to-total capitalization ratio was as follows:

As at December 31	**2015**	2014
Short-term borrowings	**$ -**	$ -
Long-term borrowings	-	-
Debt	**-**	-
Equity	**14,869,245**	14,563,688
Total capitalization	**$14,869,245**	$14,563,688
Debt-to-total capitalization ratio	**0.00%**	0.00%

22. MOVEMENTS IN NON-CASH WORKING CAPITAL

For the years ended December 31	2015	2014
Trade and other receivables	**$896,828**	$(436,813)
Inventories	**(359,950)**	(1,969,344)
Prepaid expenses and deposits	**522**	4,495
Trade payables, accrued liabilities and provisions	**(325,457)**	(581,189)
Net current tax excluding income tax	**-**	(147,307)
Deferred revenue and deposits	**78,176**	(252,356)
Lease inducement	**(52,002)**	(52,002)
	$238,117	$(3,434,516)

23. 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. At December 31, 2015 and 2014, there were no investments, short-term or long-term borrowings outstanding. The Company did not hold or issue any derivative financial instruments during 2015 or 2014.

IFRS establishes a three-level hierarchy that prioritizes the inputs relative to the valuation techniques used to measure fair value. Fair values of assets and liabilities included in Level 1 of the hierarchy are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Accordingly, the Company has categorized its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. At December 31, 2015 and 2014, Questor did not have any financial assets and liabilities measured at fair value on a recurring basis using Level 1, Level 2 or Level 3 inputs.

Financial assets are assessed for indicators of impairment at the end of each reporting period. At December 31, 2015, there was no impairment required on any of the financial assets of the Company.

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. These risks are described in note 24.

24. FINANCIAL RISK MANAGEMENT

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 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 bad debts 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.

Revenue from the top ten customers represented 70 percent of the Company's revenue in 2015 (2014 - 87 percent). Revenue from the largest customer represented 20 percent of the Company's revenue in 2015 (2014 - 27 percent).

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

For the years ended December 31	**2015**	2014
Top ten customers		
Canada	**$2,935,773**	$5,296,351
United States	**2,718,914**	5,113,188
Russia	**-**	392,412
Europe	**-**	-
	$5,654,687	$10,801,951

The following table sets forth details of the aging profile of trade and other receivables and the allowance for doubtful accounts:

As at December 31	**2015**	2014
Current (for less than 30 days)	**$1,527,470**	$675,150
31 – 60 days past due	**218,160**	369,102
61 – 90 days past due	**263,132**	209,590
Past due for greater than 90 days	**139,409**	1,785,390
Billed receivables	2,148,171	3,039,232
Allowance for doubtful accounts	**-**	(15,000)
Billed receivables, net	2,148,171	3,024,232
Unbilled receivables	**-**	20,767
Trade and other receivables	**$2,148,171**	$3,044,999

Seven customers represented over 75 percent of the Company's total net trade and other receivables at December 31, 2015 (2014 – four customers represented 75 percent).

Seven customers comprise the trade and other receivables amounts past due for greater than 90 days at December 31, 2015 (2014 - eighteen customers).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on, funds generated from operations 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.

At December 31, 2015 and 2014, the Company had the following contractual maturities with respect to non-derivative financial liabilities:

As at December 31	Maturity	**2015**	2014
Trade payables, accrued liabilities and provisions	Within 1 year	**$893,398**	$1,162,885
Current portion of lease inducement	Within 1 year	**52,002**	52,002
Current tax liabilities	Within 1 year	**(578,381)**	417,647
		$367,019	$1,632,534

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

Foreign currency 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. The Company maintains cash balances and enters into transactions denominated in foreign currencies, principally in United States dollars, which exposes Questor 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	**2015**	2014
Cash	**$1,622,438**	$802,077
Trade and other receivables	**728,124**	785,786
Monetary assets	**2,350,562**	1,576,277
Trade payables, accrued liabilities and provisions	**165,436**	8,675
Deferred revenue and deposits	**2,679**	-
Current tax liabilities	**77,206**	54,001
Monetary liabilities	**245,321**	62,676
Net monetary assets	**$2,105,241**	$1,513,601

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the Canadian dollar and the foreign currencies would impact profit before tax by approximately $105,262 (2014 - $75,680).

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 12.

25. COMMITMENTS

Leasehold improvements

The Company has lease commitments for three premises requiring aggregate minimum payments over the five years following December 31, 2015, as follows:

As at December 31		2015	2014
2015	**$**	**-**	$357,168
2016		**449,099**	360,269
2017		**349,496**	257,750
2018		**227,802**	135,594
2019		**79,603**	-
2020		**-**	-
		$1,106,000	$1,110,781

26. RELATED PARTY TRANSACTIONS

Key management personnel compensation

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 notes 13 and 17.

For the years ended December 31	2015	2014
Salaries, director's fees and other short-term employee benefits	**$928,033**	$1,046,105
Consulting services fees	**-**	14,535
Share-based payments	**131,733**	148,589
	$1,059,766	$1,209,229

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 their annual base salary and accelerated vesting of any share options not then exercisable but which would have become exercisable within six months of the date of termination. In the event of a change of control, all share options that are not then exercisable shall vest immediately and become exercisable.

There were no amounts owing at December 31, 2015 and 2014 with respect to the preceding key management personnel compensation.

27. CONTINGENCIES

Litigation

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

Notwithstanding the uncertainty as to the final outcome, based on the information currently available to it, the Company does not currently believe these matters in aggregate will have a material adverse effect on its consolidated financial position.

28. SUBSEQUENT EVENTS

Foreign Exchange Facility

At December 31, 2015, the Company had a demand revolving foreign exchange facility established to a maximum of $ 630,000USD to purchase foreign forward exchange contracts in order to hedge against currency fluctuations (as discussed in note 12). On January 18th, 2016, this facility was reduced to $250,000.

Stock Options

On January 20, 2016, the Company issued 200,000 stock options to an officer in accordance with the Company's stock option plan. Options granted under the plan have a term of five years to expiry and one quarter of the options vest on each of the first, second, third and fourth anniversary dates of the grant date on a cumulative basis. Each share option converts into one ordinary share of the Company on exercise. The officer received the option grant at market price. The options were granted with an exercise price of $0.77 and fair value at grant date of $0.56.