

QUESTOR TECHNOLOGY INC. (QST-TSXV)

Oil & Gas Energy Services | Blended Production/Midstream/Wellsite
Michael Shaw, CFA (Sr Associate) | 403.509.0534 | michael.shaw@raymondjames.ca
Andrew Bradford, CFA | 403.509.0503 | andrew.bradford@raymondjames.ca

Free-Cash Flow plus Growth plus Environmental Bona Fides; A Genuine Oilfield Unicorn

RECOMMENDATION

Yes, Canadian oilfield services have become a serious grind for investors; and with the rig count south of the border moving lower, US oilfield services are no picnic either. Activity in Canada remains stuck around 130 rigs as transportation constraints collide with political intransigence to sap investors' confidence in Western Canada's oil and gas industry.

Meet the Honey Badger/Unicorn of the Oilfield Services Complex: Questor Technology Inc. It's within this challenging environment that QST has authored a rare fact pattern for small cap energy investors: **it generates free-cash flow in today's macro environment and can deploy investment capital to grow that cash flow without requiring significant macro improvements.**

It's not uncommon to find OFS companies generating free-cash flow, in some cases with fairly high yields, but very few can redeploy the cash into their core businesses and generate acceptable returns, which is why most are focused on some combination of debt reduction and share buybacks. But unlike its conventional OFS cousins, QST has been generating noteworthy EBITDA growth, doubling in the last 2-yrs, while preserving 40%+ returns on invested capital.

Questor rents and sells ultra-high efficiency 'thermal oxidizers' (enclosed flares). This has worked well where tough environmental regulations, public concerns for the local impacts of oil and gas development, and investor pressure on E&Ps to adopt more rigorous environmental standards has motivated E&P, mid, and downstream customers.

Strong unit economics translating into equally strong corporate returns. We estimate QST's rental assets have been paying themselves out in 2.5 years on average and after taxes. Thus QST's corporate return on invested capital in 2018 was 41% and we expect ROIC to remain above 40% in 2019 and 2020. Questor currently has no debt and has developed a self-funded model that we estimate can generate 15% year-over-year growth while still putting cash on the balance sheet.

OFS Investment with Environmental Credentials. While reducing GHGs, QST's product should be particularly interesting for those with genuine interests in improving local environmental outcomes through dramatically reduced flare emissions.

Will growth continue 'up and to the right' unabated? Not likely. Questor originally expanded its rental fleet into Colorado with its high air quality standards. Questor has also enjoyed success in North Dakota, and has its eyes on New Mexico, and ultimately, Texas. These are all considerably bigger markets than Colorado, but they also have less supportive air quality standards. We should expect growth will come via less frequent, but potentially much larger, contract wins as QST 'hunts for elephants' among large producers looking to demonstrate their own ESG *bona fides*.

VALUATION

We are targeting QST at 7.0x our 2020E EBITDA to yield a target of \$5.50. The 7.0x is consistent with QST's recent valuation and implies a AFFO yield of 10% in 2020. We are initiating coverage on Questor with an Outperform rating.

OCTOBER 21, 2019 | 6:31 AM EDT
INITIATING COVERAGE

Outperform 2
Target Price C\$5.50

Suitability High Risk/ Growth

MARKET DATA

Current Price (Oct-17-19)	C\$4.15
Market Cap (mln)	C\$119
Current Net Debt (mln)	C\$(13)
Enterprise Value (mln)	C\$106
Shares Outstanding (mln)	28.7
30-Day Avg. Daily Value (mln)	C\$0.2
Dividend	C\$0.00
Dividend Yield	0.0%
52-Week Range	C\$2.40 - C\$5.36

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
EBITDA (mln) (C\$, Dec FY)				
2018A	3	3	3	2
2019E	4 A	4 A	4	4
2020E	4	5	5	5
	2018A	2019E	2020E	
EBITDA (mln) (C\$, Dec FY)	12	16	19	
EPS (C\$, Dec FY)	0.26	0.32	0.38	
P/E	16.0x	13.1x	10.9x	
EV/EBITDA (Dec FY)	7.4x	6.9x	5.4x	
Revenue (mln) (C\$, Dec FY)	23	30	35	
EBITDA Margin (Dec FY)	50.1%	52.8%	55.1%	
Capex (mln) (C\$, Dec FY)	3	8	8	
AFFO/Share (C\$, Dec FY)	0.27	0.28	0.43	
Net Debt/EBITDA (Dec FY)	(0.7)x	(0.8)x	(1.1)x	

Source: Thomson One, Raymond James Ltd.
 Quarterly figures may not add to full year due to rounding.

INVESTMENT THESIS

Growth Potential With Free-Cash Flow in Today's Challenging Market - A Rare OFS Combination.

The investable Canadian oilfield industry has become a battle of attrition. With the Canadian rig count stuck around 130 and the US onshore rig count moving lower weekly, we believe investors' focus should be on those companies generating free-cash flow in today's market and then, where possible, investors should narrow the field further to those few with high-return reinvestment opportunities. Questor's results over the last several quarters have shown this is possible.

Questor has been generating free cash flow and year-over-year growth notwithstanding flat to negative rig count trajectories in both Canada and the US since mid-2018, though we'd be remiss to exclude 4Q18, in which EBITDA was lower year-over-year against a challengingly strong 4Q17 comp.

Questor's future growth will come from 'elephant hunting' in two of the largest flaring basins in the world - North Dakota and the Permian

While we suspect it will be challenging for QST to repeat the almost unmitigated success it generated in Colorado, with its strict air quality standards - we do think that public concerns and regulatory structures around methane, VOC, NOx and SOx emissions will enable Questor to continue growing its rental fleet and find sale opportunities. Unlike its growth trajectory in Colorado, we believe Questor's future rental fleet and sales 'wins' will be larger, but less frequent. This will lead to periods of sequential growth interspersed with periods of little to no growth.

Questor is already generating success in North Dakota - almost half of its US rental revenue is from North Dakota, with most of the remainder in Colorado. We think this is notable because while North Dakota flares considerably more gas than Colorado, almost all of this flaring is done away from any population centers. Moreover, North Dakota doesn't necessarily impose tough air quality standards. In other words, the drive is coming from the companies themselves.

We view the New Mexico Permian as having most of the ingredients for success for Questor: a large flaring market, an interface between flaring and population centers, a progressive government with progressive regulations, rental units working in the area already and in very public view.

Attractive Reinvestment Economics.

Questor has been using its free cash generation to fund growth - primarily in its rental fleet - with attractive reinvestment economics. The recovery following the 2016 downturn coupled with the expansion of Questor's rental fleet has together driven meaningful gains in QST's 'return-on' metrics. ROIC increased to 41% in 2018. On a unit basis, we estimate that investments in rental assets payout in **1.8 to 2.5 years including maintenance costs and taxes.**

An OFS company with substantial environmental bona fides.

Questor provides an opportunity for investors with an earnest concern about environmental outcomes and who are looking for small-cap, OFS exposure. Complete incineration reduces the emissions of both methane and VOCs, while correct temperature control means fewer NOx. Methane emissions are a major contributor to global GHG emissions and one of the most significant emissions from the energy industry. VOCs are a risk to local health and may limit the energy industry's social license to operate. The continued growth of ESG investing should provide a funds flow tailwind to QST.

Exhibit 1: Questor Financial Summary and Outlook

Financial Summary - \$CAD Mlns	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Share Price (w.a. & current)	\$0.30	\$0.26	\$0.37	\$1.08	\$3.25	\$1.68	\$0.88	\$1.27	\$3.30	\$4.15	\$4.15
EBITDA	0.8	1.5	1.7	3.3	4.2	1.0	0.2	8.8	11.4	15.6	18.7
EBITDA (RJ SBC Cash Adj.; 2)	0.9	1.6	1.8	3.4	4.5	1.2	0.3	9.0	11.8	15.9	19.0
Margin %	16.2%	26.0%	26.9%	35.6%	36.4%	15.3%	4.7%	46.3%	50.1%	52.8%	55.1%
EV/EBITDA	3.9x	2.1x	2.9x	6.7x	18.3x	32.1x	49.5x	3.5x	7.4x	6.9x	5.4x
Free-EBITDA (3)	0.0	1.5	1.7	3.4	4.4	1.1	0.2	8.5	11.0	15.0	17.9
Margin %	0.0%	25.2%	25.5%	35.0%	35.3%	13.5%	2.6%	43.6%	46.9%	49.8%	51.8%
EV/Free-EBITDA		2.1x	3.1x	6.8x	18.8x	36.4x	90.2x	3.7x	7.9x	7.3x	5.8x
AFFO (5)	0.7	1.4	1.3	3.4	3.7	(0.4)	0.1	7.2	7.7	12.1	14.8
Yield %	9.9%	21.5%	13.3%	11.9%	4.2%	-1.0%	0.6%	20.7%	8.4%	10.2%	12.4%
Earnings (Loss) Per Share (fd)	\$0.02	\$0.05	\$0.04	\$0.10	\$0.11	\$0.00	-\$0.02	\$0.14	\$0.26	\$0.32	\$0.38
P/E	16.9x	5.4x	8.9x	11.2x	29.7x	nm	nm	8.9x	12.7x	13.1x	10.9x
Cash-ROE (7)	11%	22%	17%	29%	26%	4%	1%	34%	37%	34%	32%
Cash-ROIC (7)	18%	43%	27%	57%	37%	0%	-5%	38%	41%	40%	42%
Net Debt @ Year-End (note)	(4.0)	(3.0)	(4.1)	(6.6)	(5.2)	(5.6)	(6.9)	(2.7)	(8.8)	(12.7)	(19.8)
Net Debt/EBITDA (TTM)	-5.0x	-2.0x	-2.4x	-2.0x	-1.2x	-5.8x	-36.6x	-0.3x	-0.8x	-0.8x	-1.1x
Interest Coverage		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fixed Charge Coverage	19.5x	21.0x	67.4x	32.7x	6.7x	1.2x	16.4x	15.0x	17.2x	16.4x	16.4x
Shares Outstanding - Basic (w.a.)	24.7	24.9	24.9	25.2	25.8	26.0	26.4	26.5	26.5	27.2	27.2
Shares Outstanding - Diluted (w.a., 8)	24.9	25.5	26.0	26.5	27.1	26.8	27.0	27.7	27.8	28.7	29.0

Notes: (1) Adds-back all stock-based compensation expenses. We believe this figure is frequently used by investment professionals
(2) Includes stock-based compensation cash payments. These payments are usually disbursed in 1Q; we allocate these payments throughout each year in which they are incurred.
(3) Free-EBITDA equals EBITDA (including SBC cash payments) less direct maintenance capital expenditures.
(4) Segmented EBITDA includes allocated stock-based compensation cash payments.
(5) Available funds from operations (AFFO) equals cash flow from operations (excluding changes in non-cash working capital) less direct maintenance expenditures.
(7) Cash-ROE and Cash-ROIC are calculated in the traditional way, substituting direct maintenance expenditures for accounting D&A and including only cash taxes.
(8) Basic shares outstanding includes DSUs. Diluted shares outstanding includes basis shares out plus 'in-the-money' options and PSUs.

Source: Questor Technologies, Raymond James Ltd.

QUESTOR'S COMPLETE COMBUSTION

Questor Technologies is a provider of specialized waste gas incineration products and services used in all phases of oil and gas production and processing. Questor rents and sells specially designed enclosed incinerators that ensure high-efficiency combustion of waste gas streams to meet increasingly stringent regulations and corporate environmental standards.

Handling waste gas streams through combustion is a regular part of oil and gas production. Candlestick flares are ubiquitous in the energy industry and wider industrial processes but have a wide variety of negative externalities (see Exhibits 2 and 3). As an alternative, Questor's high efficiency combustors remove substantially all of the methane and volatile organic compound emissions and remove the visual impacts of traditional flares with their smoke plumes of uncombusted material.

Exhibit 2: Traditional Flare

Source: Environmental Defense Fund

Exhibit 3: Traditional Flares versus High-Efficiency Combustors

	Traditional Candlestick Flare	High-Efficiency Combustion	% improvement
Organic Destruction Efficiency	98.00%	99.99%	
Performance Metrics @ 500,000 scf/d flared			
Methane Emitted			
scf/d	10,000	50	
tonnes/year ⁽¹⁾	47	0.2	
CO2 GHG eq. tonnes/year (@25x) ⁽²⁾	1,179	6	-99.50%
Implied annual cost at \$50/tonne ⁽³⁾	\$58,948	\$295	
VOCs Emitted (Assumed 15% of weight)			
tonnes/year	9.9	0.0	
Visible signs of combustion	<ul style="list-style-type: none"> • Visible flame at the top of the candlestick; • Often accompanied by black smoke 	<ul style="list-style-type: none"> • No visible flame at top of stack • Complete combustion leaves no smoke 	
Flame out potential	<ul style="list-style-type: none"> • Dependent on quality of pilot equipment • Older equipment less likely to be equipped with reliable pilots 	<ul style="list-style-type: none"> • Typically equipped with high-efficiency pilot • EPA Quad O/Oa combustors must have continuous pilots 	

Notes

(1) based on natural gas at 0.6 kg/m³

(2) Methane is a more potent greenhouse gas. The EPA uses a factor of 25 over 100 years to generate a CO2 equivalent GHG potential

(3) Canadian carbon tax is currently \$20 per tonne and will rise to \$50 per tonne by 2022

Source: Raymond James Ltd.

Gas is flared during the initial stages of production (flowback) as wells are tested and as a regular part of production when either the infrastructure to get the gas to sales markets are unavailable or as a safety mechanism.

Reliable estimates of global flaring are hard to come by - many of the globe's largest oil and gas producing countries are not overly forthcoming when it comes to environmental record keeping and distribution - but the World Bank estimates that 145 billion cubic meters, 14 billion cubic feet per day, of gas was flared in 2018 - just shy of Canada's total gas output. The World Bank further estimates the US flared 1.4 bcf/d and Canada 0.1 bcf/d in 2018, with growth in flaring moving lock step with growth in natural gas and crude production. These figures do not include vented gases, gases that are simply let out into the atmosphere without combustion.

One of the principle problems with flaring is incomplete combustion, flare outs, and gas venting - resulting in natural gas and a wide range impurities being released into the atmosphere. As a result, regulators have begun to require the use of high efficiency combustors and have pushed producers to limit flaring all together.

Environmental Impacts of Incomplete Flaring

Waste gas streams are primarily composed of methane, the functional component of natural gas, but also contain volatile organic compounds and often hydrogen sulfide. Incomplete combustion results in these products becoming released into the atmosphere, creating negative environmental impacts and significant health risks to local communities.

- Methane Emissions.** Methane is the functional component of natural gas. While natural gas emits less greenhouse gas per unit of energy than other hydrocarbons when properly burnt, emitted on its own methane is 20 to 100 times more potent a greenhouse gas than carbon dioxide (depending on the time frame) and about 25% of manmade global warming is a product of methane emissions (source: EDF).
- Volatile Organic Compounds (VOCs).** VOCs are organic chemicals - chemicals that contain carbon - that are gaseous at room temperature. There are a wide variety of VOCs but several commonly emitted by oil and gas are considered Hazard Air Pollutants (HAP) by the US EPA. Benzene, toluene, ethylbenzene and xylenes (group referred to as BTEX) and n-hexane are common oil and gas VOCs and, according to the EPA, represent a significant risk to human health; such as exacerbating respiratory problems and acting as common carcinogens.
- H₂S.** Many gas processing systems require handling sour gas, which includes H₂S. Hydrogen sulfide is toxic and is one of the more common workplace risks in the oil and gas industry. When properly combusted, H₂S combines with oxygen to produce SO₂ and water. Incomplete combustion can lead to the direct release of H₂S.
- Low Level Ozone.** NO_x (result of the oxidation of nitrogen in the atmosphere during combustion) and VOCs in the presence of sunlight combine to create low level ozone (tropospheric ozone) which creates smog. The complete combustion of VOCs will prevent the creation of local low level ozone.

Setting aside the composition of emissions, flaring is visually unappealing: flares will have black smoke from incomplete combustion, produce light pollution, can often be easily noticed from the odor, and can be loud - all of which are unappealing characteristics for local communities. In certain instances, such as emergency flaring at refineries they can be downright alarming for area residents (see Exhibit 13).

Exhibit 4: Questor Q3000 Combustor Operating During Flowback



Source: Questor Technologies

Incinerator Efficiency

To mitigate the impacts of incomplete combustion, regulators have begun to mandate the use of higher efficiency incinerators. The efficiency of a flare is measure by the percentage of inputs that are converted to waste - for example, the percent of methane converted to CO₂ and/or H₂S to SO₂.

Flare efficiency is a product of:

- **Stack temperature.** To ensure complete combustion, the stack temperature must exceed 760°C (1,400°F).
- **Residency time.** Residency time is the amount of time that gases remain at a sufficient temperature to combust. A higher residency time will help ensure more complete combustion.
- **Oxygen mix.** Any combustion/oxidation requires a sufficient concentration of oxygen and sufficient mixing of oxygen and the gas. Increasing the oxygen concentration will help ensure complete combustion.

Questor's Innovation

Questor's innovation was to create a vortex as the air entered to combustion chamber to increase the oxygen content and improve the mixing between oxygen and gas. The result has been a set of incinerators that have shown near complete destruction of VOCs and methane and an ability to handle a wide range of gas volumes (see Exhibit 6).

Combustors are typically categorized by how they draw in air. Mechanically driven combustors have an external blower that injects air into the gas mix while a natural draft combustor uses the heat differential between the top and bottom of a stack to draw air into the combustion chamber.

Exhibit 6: Questor North Dakota Field Test Results

Combustor	Parameter	Test Results			
		Test 1	Test 2	Test 3	Test 4
Site 1 Q5000-17-164 (West)	VOC Destruction %	99.997%	99.998%	100%	100%
	NOx (lb/MMBtu)	0.158	0.200	0.233	0.232
	CO (lb/MMBtu)	0.110	0.074	0.017	0.067
	Stack Temperature (°F)	1,125	1,412	1,649	1,823
Site 1 Q5000-17-173 (West)	VOC Destruction %	100%	100%	100%	100%
	NOx (lb/MMBtu)	0.140	0.182	0.220	0.287
	CO (lb/MMBtu)	0.049	0.008	0.002	0.011
	Stack Temperature (°F)	1,046	1,348	1,522	1,852
Site 2 Q5000-17-183 (East)	VOC Destruction %	100%	100%	100%	100%
	NOx (lb/MMBtu)	0.279	0.258	0.252	
	CO (lb/MMBtu)	0.000	0.002	0.001	
	Stack Temperature (°F)	1,758	1,860	1,758	
Site 2 Q5000-17-173 (West)	VOC Destruction %	100%	100%	100%	
	NOx (lb/MMBtu)	0.224	0.279	0.281	
	CO (lb/MMBtu)	0.002	0.004	0.002	
	Stack Temperature (°F)	1,743	1,763	1,775	
Site 3 Q5000-17-123 (East)	VOC Destruction %	100%	100%	100%	
	NOx (lb/MMBtu)	0.178	0.173	0.202	
	CO (lb/MMBtu)	0.093	0.013	0.005	
	Stack Temperature (°F)	1,737	1,706	1,688	
Site 3 Q5000-17-164 (West)	VOC Destruction %	100%	100%	100%	
	NOx (lb/MMBtu)	0.205	0.198	0.204	
	CO (lb/MMBtu)	0.046	0.049	0.042	
	Stack Temperature (°F)	1,735	1,754	1,745	

Source: Questor Technologies, Raymond James Ltd.

Questor's combustors use a natural draft design, which is common, but the innovation is to use vents to create an air vortex as the air is drawn into the combustion chamber. The gas stream is then injected in the opposite direction to the air vortex, producing a thorough mixing and stable

Exhibit 5: Questor Q5000 with 160ft Stack; Acid Gas Processing in British Columbia



Source: Questor Technologies

fire ball to maximize residency time inside the combustor.

Questor's high efficiency incinerator technology was developed in the late 1990's. QST filed for and received a US patent for its technology in late 1999. Questor has continually refined its product since the late 1999's and been able to show near complete combustion in field tests as recently as its expansion into North Dakota (see Exhibit 6).

COMPETITORS IN EFFICIENT COMBUSTION

Questor faces a number of competitors in the efficient combustion space. The EPA has published a list of combustion control devices that have been manufacturer tested and for which the results have been submitted to the EPA. As of March 2019, 21 companies across North America have enclosed combustors that are exempt for testing under the Quad O/Oa standards.

Questor faces competition from large oilfield multi-nationals such as NOV and Schlumberger with a variety of product lines, large dedicated international combustion companies (Zeeco), and a variety of 'mom-and-pop' operations.

Exhibit 7: EPA Quad O/Oa Pre-cleared Enclosed Combustors

Quad O/Oa Enclosed Combustors - EPA Performance Testing				
Manufacturer	Location	Model	Flow Rate	Stated Efficiency
Aereon	Texas, USA	AB 20	20 mcf/d	"Up to 99%"
		AB 100	100 mcf/d	"Up to 99%"
		AB 200	200 mcf/d	"Up to 99%"
Alphabet Energy	California, USA	Alphabet PGC	15 mcf/d	
Big Iron Oilfield Service	Oklahoma, USA	BNECU PI36	8 mcf/d	
		BNECU PI48	20 mcf/d	
Black Gold Rush	Alberta, Canada	BGR-18	20 mcf/d	> 99.9%
Cimarron Energy	Texas, USA	CEI 1-24	10 mcf/d	> 99%
		CEI 1-30	15 mcf/d	> 99%
		CEI 1-48	30 mcf/d	> 99%
		CEI 1-60	60 mcf/d	> 99%
		48" HV ECD	10 mcf/d	> 99%
COMM Engineering	Louisiana, USA	COMM OOOO Combustor 200	80 mcf/d	> 99%
		Model 2	20 mcf/d	> 99%
		Model 3	60 mcf/d	> 99%
		Model 4	125 mcf/d	> 99%
Coyote North	Alberta, Canada	COMB 48"	150 mcf/d	99.9% +
GCO LLC	Colorado, USA	GCO ECD 1600	40 mcf/d	
		GCO ECD 2000	100 mcf/d	
Hy-Bon/EDI	Texas, USA	CH2.5	40 mcf/d	> 99.99%
		CH10.0	100 mcf/d	> 99.99%
IES Combustors	Colorado, USA	IES-48-02	15 mcf/d	> 99%
JLCC Combustion	Texas, USA	FC 20	20 mcf/d	
John Zink	Oklahoma, USA	TOF040X30PF	100 mcf/d	99.99%
Kimark	Texas, USA	KSF 1-48	30 mcf/d	
		KSF 2-60 (48")	100 mcf/d	
Leed Fabrication (Tri-Point)	Texas, USA	36" Combustor (EC36)	25 mcf/d	> 95.0%
		48" Combustor (EC48)	30 mcf/d	> 95.0%
		48" High Flow Combustor (EC48-25)	110 mcf/d	> 95.0%
Midflow Services	Ohio, USA	COMB 48"	150 mcf/d	> 99.5%
NOV	International	MEVC 20	40 mcf/d	
		MEVC 100	150 mcf/d	
Questor Technologies	Alberta, Canada	Q50	5-50 mcf/d	> 99.99%
		Q500	50-500 mcf/d	> 99.99%
		Q3000	300-3,000 mcf/d	> 99.99%
		Q5000	500 - 5,000 mcf/d	> 99.99%
REM Technology (Spartan Controls)	Alberta, Canada	SlipStream GTS-12	5 mcf/d	> 99%
Schlumberger	International	SLB-36	60 mcf/d	> 99%
		SLB-60	200 mcf/d	> 99%
SFI Oil and Gas Production Systems (Tri-Point)	Texas, USA	SDC-36	30 mcf/d	> 95.0%
		SDC-48	70 mcf/d	> 95.0%
		SDC-60	90 mcf/d	> 95.0%
Thruster Technologies	Texas, USA	V1	100 mcf/d	99.9%
Zeeco	International	EGF-48-30	130 mcf/d	> 99%

Source: Company Reports, EPA, Raymond James Ltd.

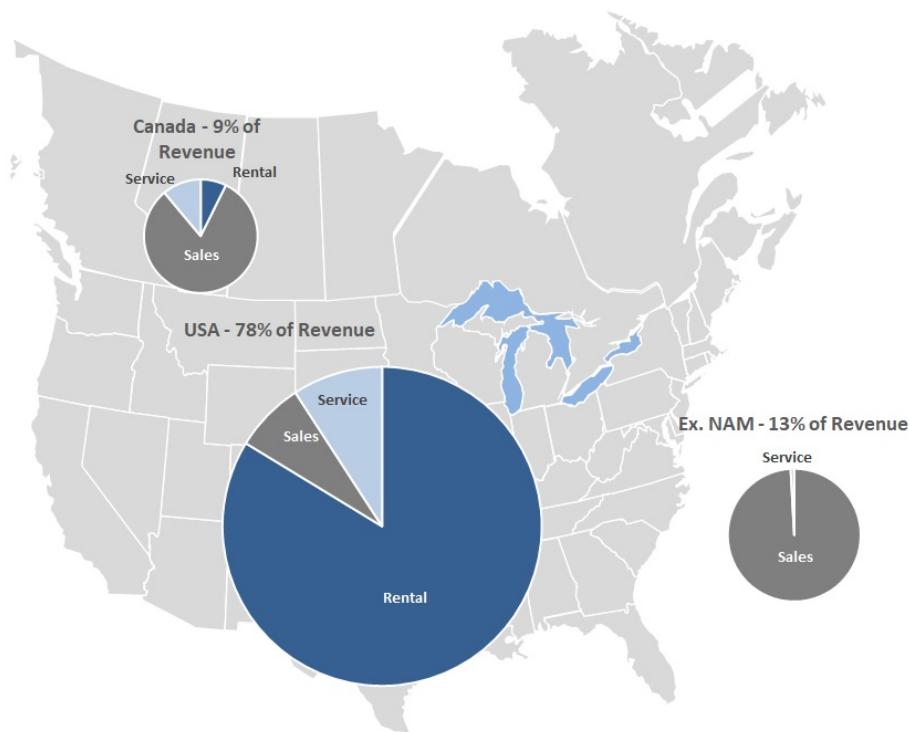
QUESTOR OPERATIONAL SUMMARY AND OUTLOOK

Questor has three segmented business lines: incinerator sales, rentals, and service. Roughly 66% of QST's revenue is generated through rentals, primarily in the US, 26% generated through sales, and the balance generated from servicing.

The proportion of revenue generated from rentals has been steadily on the rise since mid-2013 and significantly since late 2016 when Questor began investing heavily in its rental assets. Sales were historically QST's primary business prior to the build out of its rental fleet. While its sales projects are regionally diverse and project based, sales revenue has been fairly consistent around \$1.5 mln per quarter since the downturn in 2015.

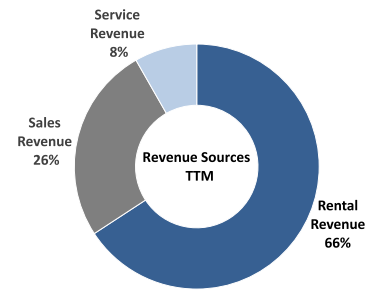
Service revenue is a smaller part of QST's business, averaging between \$0.5 and \$0.8 mln per quarter, but has grown along with QST's installed base. While not overly impactful to results, service rentals should continue to grow with the broader business.

Exhibit 9: Geographical and Product Line Revenue Distribution (TTM; size reflects relative significance)



Source: Questor Technologies, Raymond James Ltd.

Exhibit 8: Revenue Distribution - TTM



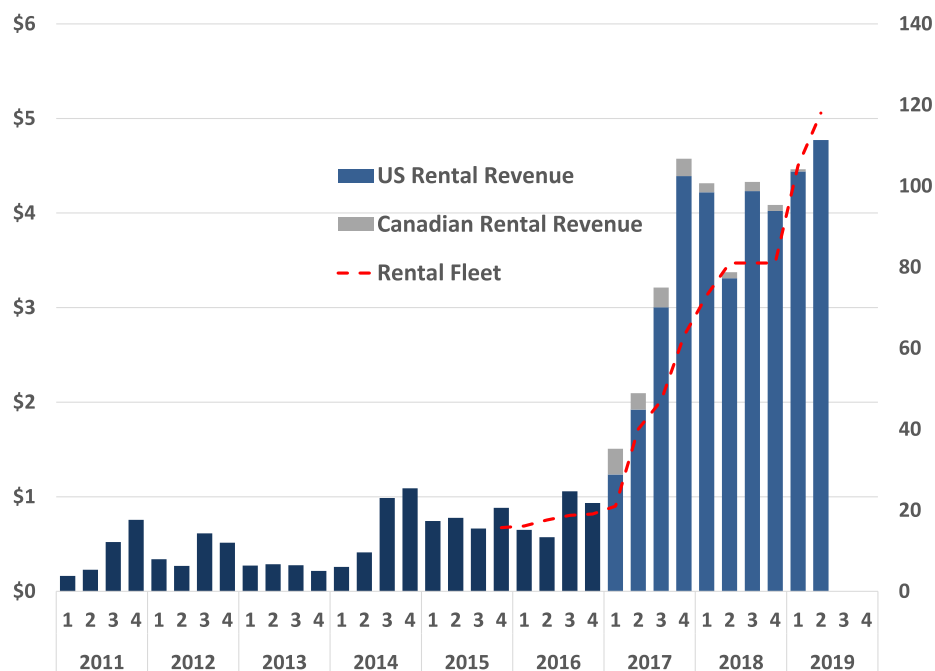
Source: QST, Raymond James Ltd.

Rental Business - Currently Focused in Colorado, Growth in North Dakota, and Eyes to the Permian

Questor's primary business today is incinerator rentals, which represent 66% of current revenue. Questor's rental operations are currently centered in Colorado and North Dakota, with small operations in Canada, and a growing interest in the Permian. It has operating bases in Brighton, Colorado and Watford City, North Dakota. QST's Canadian operations are based in Grande Prairie, Alberta. Roughly half of QST's 120 units rental fleet are in Colorado and half in North Dakota - with a handful of units in Canada and Texas.

Questor has a growth budget of \$7 - \$8 mln for 2019, 90% dedicated to rental growth and 10% for maintenance. The budget has been loaded to the front half of 2019 and is largely completed.

Exhibit 10: Progression of Revenue and Unit Growth in the Rental Segment



Source: Questor Technologies, Raymond James Ltd.

Unit Economics

As one of the few public companies operating in efficient combustors, Questor has elected to provide limited operating details. But from the information that it has elected to make public, we estimate the taxed unit economics payout in **1.8 to 2.5 years**.

Questor does not manufacture its own equipment, electing to outsource the fabrication process. Based on its own public disclosure we estimate the unit cost of a rental incinerator is between \$185,000 to \$250,000.

While pricing information is again scarce, QST has been able to show rental rates around \$500 to \$600 per calendar day - equating to revenue of approximately \$200,000 a year. With an estimated EBITDA margin in its rental fleet of 65%, maintenance of \$5,000, and a tax rate of 27% - we estimate a after tax annual cash flow of approximately \$92,000. **This maps to 1.8x payout at the low end of the capital cost assumption and 2.5x at the high end.**

The estimated unit economics of 1.8 to 2.5x payout is consistent with the corporate level 'return-on' metrics.

Questor's corporate return on invested capital in 2018 was 41% and we expect it to remain above 40% in 2019 and 2020.

Rental Growth - Growth though Cash Flow

On these strong economics and demand for combustors in Colorado, Questor has grown its rental fleet from an estimated 20 units at the end of 2015 to 120 units today. Over the last four quarters, QST has generated \$18 mln in rental revenue and annualized 2Q revenue of \$19 mln (see Exhibit 10). QST is likely to continue to apply the free cash flow generated from rentals into growing its fleet.

The big growth prize is the Permian.

The next big step for Questor is to enter into the Permian. The West Texas/New Mexico Permian is far and away the most active market in North America and represents the big prize for nearly all OFS business lines.

Questor's marketing material estimates the potential for 180 rental units in the Permian and QST has already began to make inroads in New Mexico. Questor has acquired yard space in Midland, Texas in anticipation of growing its fleet in 2020 and has initial work with WPX in New Mexico. We suspect Questor's move into the Permian will be like its developments in Colorado and North Dakota - methodical and centered around an anchor client.

Exhibit 11: Questor Sources and Uses of Cash Flow

Sources and Uses of Cash - \$CAD Mlns	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Sources of Funds											
From Operations (taxed EBITDA)	0.8	1.5	1.4	3.4	3.8	(0.3)	0.3	7.8	8.5	13.0	16.0
From Equity Holders (Issues)	0.1	0.0	0.0	0.1	0.2	0.1	0.1	0.0	0.1	0.7	-
From Creditors (Debt Issues)	-	-	-	-	-	-	-	-	-	-	-
Total Sources	0.8	1.5	1.4	3.5	4.0	(0.2)	0.4	7.8	8.5	13.7	16.0
Uses of Funds											
To Sustain Operations											
Direct Maintenance Capex	0.1	0.1	0.1	0.0	0.1	0.1	0.2	0.5	0.8	0.9	1.1
Asset Replacement Capex (R/L estimate, note)	-	-	-	-	-	-	-	-	-	-	-
Total Sustaining	0.1	0.1	0.1	0.0	0.1	0.1	0.2	0.5	0.8	0.9	1.1
To Fund Growth											
Growth Capex (R/L estimate, note)	(0.0)	1.3	0.7	0.1	1.1	0.1	(0.2)	7.0	2.7	6.6	6.4
Net Working Capital Investment	(0.1)	2.1	(1.6)	0.4	3.4	(0.2)	(1.1)	3.0	0.1	0.7	0.9
Total Growth	(0.1)	3.4	(0.9)	0.5	4.5	(0.2)	(1.4)	10.0	2.9	7.3	7.3
To Creditors											
Debt Repayment	-	-	-	-	-	-	-	-	-	0.4	0.4
Interest & Fees	-	-	-	-	-	-	-	-	-	-	-
Total to Creditors	-	-	-	-	-	-	-	-	-	0.4	0.4
To Equity Holders											
Dividends	-	-	-	-	-	-	-	-	-	-	-
Buybacks	-	-	-	-	-	-	-	-	-	-	-
Total to Equity Holders	-	-	-	-	-	-	-	-	-	-	-
Fx Impact & Other One-Time Items	(0.1)	(0.1)	0.0	0.0	1.0	0.3	0.0	0.1	(0.0)	0.1	-
Total Uses of Cash	(0.1)	3.4	(0.8)	0.6	5.7	0.3	(1.2)	10.6	3.6	8.7	8.8
Change in Cash Balances	0.9	(1.8)	2.2	2.9	(1.7)	(0.5)	1.6	(2.9)	5.0	5.0	7.2

Source: Questor Technologies, Raymond James Ltd.

Growth has been funded through cash flow for years - clean balance sheet gives flexibility to respond to growth opportunities as they arise.

Questor has been frugal with its share capital. It last issued shares, excluding share-based compensation, in early 2002 when it completed a private placement for 7.5 mln shares and warrants. QST has also shied away from debt. The last time that Questor had meaningful debt as part of its capital structure was in 2007 and has since carried at least \$2.5 mln.

Under its first half activity levels, QST could fund \$12.5 mln annually in growth capital and associated working capital to increase the size of its rental fleet - an estimated 40 to 50 units per year (see Exhibit 11). At that rate, QST could reach its targeted Permian size of 180 units in three to four years.

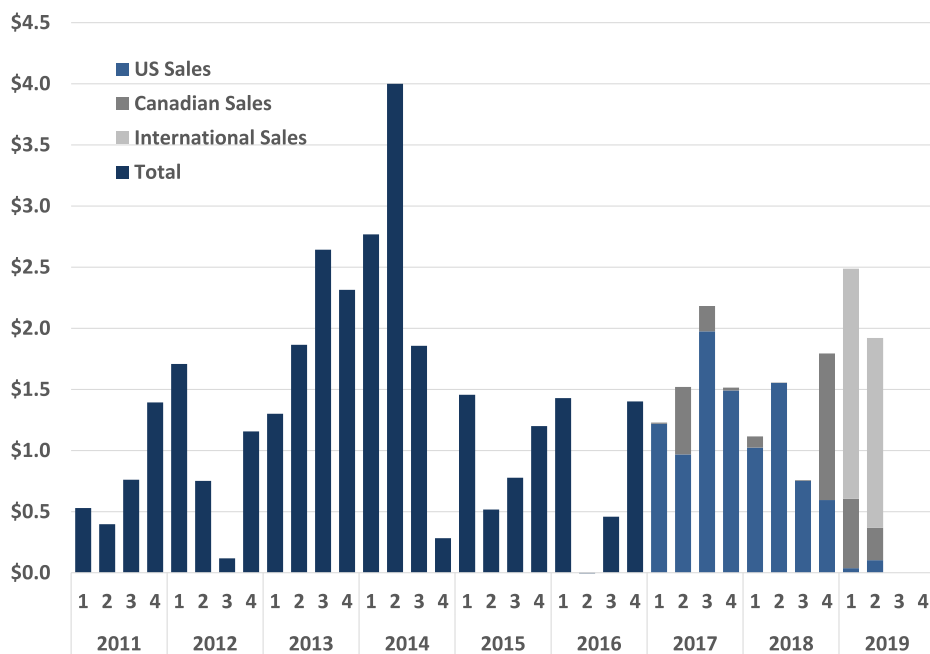
Sales - Regionally Diverse and Project Specific

Sales were Questor's primary business line prior to the build out of its rental fleet in 2017. Questor's sales have historically been regionally diverse and are typically project specific - making it a difficult variable to forecast.

For example, sales in the first half of 2018 were concentrated in the US and then shifted to Canadian in 4Q. In January 2019, Questor signed a Mexican contract \$5.8 mln that has been the primary source of sales revenue in the first half of the year (see Exhibit 12). Questor provides fairly limited disclosure around the size of its sales backlog but has noted a build out in its sales capability.

Beyond the Mexican contract, sales revenue will be a function of producer and midstream spending and a willingness/incentive to upgrade from older technology. Questor has averaged sales revenue between \$1.0 and \$1.5 mln per quarter since the start of 2015. We suspect that QST should be able to maintain that level of sales with the potential to increase sales on the back of increasing its sales network.

Exhibit 12: Revenue from Sales Segment



Source: Questor Technologies, Raymond James Ltd.

Additional Product Line - Waste Heat to Power and Emissions Data Management

Questor is expanding its offerings beyond high-efficiency incineration by moving into waste-heat to power and emissions data management.

Waste Heat to Power

Questor purchased ClearPower Systems in January 2014. ClearPower is a Florida based company that developed technologies using any heat source to produce electricity. Questor has since integrated the technology with its incinerators to generate electricity from the heat that is a by-product of the combustion.

Questor has had success in marketing the integrated combustion-generation product. The \$5.8 mln Mexican contract signed in early 2019, and part of which has been recognized in first half revenue, includes a power generation component.

The waste heat to power is still in the early stages of commercial development and Questor does not provide segmented results for ClearPower. Our view is that most producers tend to balk at the prospect of adding equipment to already busy well sites - even if it may yield a return - making it a difficult pitch to E&Ps.

Emissions Data Management

Questor is also developing an emissions data management platform and a Emissions Excellence Centre. One of the principle problems in the attempts to lower methane and other emissions from oil and gas sites is a lack of proper data. Questor is developing a set of sensors for its equipment to monitor emissions, securely transfer that data back to its data centre, and develop reports and reporting for clients to assist in verifying emission reduction results.

Valuation & Recommendation

We have elected to target Questor at 7.0x our estimated 2020 EBITDA. The 7.0x multiple is consistent with Questor's historical pricing in 2018 and 2013 - excluding the downturn years of 2015 to 2016 and the extremely high growth of 2017. The 7.0x multiple is consistent with our target on other high free-cash flow generating OFS companies and represents a free-cash flow yield of 10% on our 2020 estimates.

A 7.0x EV/EBITDA multiple on our 2020E yields a target price of \$5.50. With an upside of 33% from the current price, we have elected to launch on QST with an Outperform rating.

PUSH-PULL: REGULATORY REQUIREMENTS AND CHANGES IN PRODUCER BEHAVIOR

The drive to replace traditional flares with high-efficiency combustors require some combination of three elements to motivate producers:

1. **Strict regulation on air quality.** While a traditional flare has about 98% combustion efficiency, this means that 2% of methane and VOCs are escaping. This doesn't have big implications from a GHG perspective, but it does have implications for residents downwind of the flare stacks. The difference between a 98% efficient flare stack and a 99.99% combustor is a 99.5% reduction in these fugitive emissions. State and county-level permitting can place requirements on air quality such that producers had to substitute from open flares to high-efficiency combustors. This is effectively the case in many Colorado counties.
2. **Public image/social license.** Images of open flares in close proximity to homes is poor publicity. To the extent that open flaring grows as a symbolic focus for all that is wrong with shale oil development, it will be in producers' interest to shield flaring from public view. We don't necessarily think producers will substitute to high-efficiency combustors just because open flaring smells bad for local residents or because some third party thinks there might be health implications: viewers can't smell foul air over the internet, but they can see images of flares near residential buildings.
3. **Investor pressure.** Most every intermediate and major oil and gas producer publishes an annual sustainability report. There isn't yet any standardized set of metrics for these reports, but they do provide some notion of the issues each producer plans to address within their own operations. In most cases, the target is fugitive methane gas - methane that is vented from oilfield equipment. Most fugitive methane escapes through high-bleed rate pneumatic valves

– consequently, most producers are replacing this equipment to meet methane reduction obligations. In this context, switching from an open flare stack that is 98% efficient to a more expensive thermal oxidizer that is 99.99% efficient, doesn't go a long way to accomplishing the methane-reduction goal – only by about 2%. In cases where sustainability reports specifically identify VOCs, SO₂, and NO_x for targeted reduction, this is more constructive for thermal oxidizers.

Evolution of Regulations towards Flaring

The most important development for Questor has been the rise of a rental market in Colorado over the last three years. The market in Colorado is a direct function of the stringent regulations developed by the EPA starting in 2012, which were updated and enforced with vigor by the Colorado regulators.

It is worth stressing that while regulations have been vital to QST's growth, the ideal outcome for a regulator includes very little of what Questor does best but rather focus on no flaring/burning at all. From an environmental outcome, the best case scenario is for gas streams to be captured, processed, and sold rather than burned in an incinerator. Both state and federal regulations have focused first on gas capture and then secondly using a high-efficiency combustor only when necessary. The regulations will likely continue to include a provision requiring high efficiency combustors as a last line of defense but regulators will continue to push for less flaring rather than more efficient flares.

US National Regulations - NSPS Quad O and Quad Oa

The US EPA released a set of regulations to limit methane and related emissions in 2012 and 2016. The NSPS Quad O standards released in 2012 were designed to reduce the emissions of VOCs and SO₂. The Quad Oa standards updated the 2012 four years latter to include methane emissions.

The Quad O and Quad Oa regulations cover in detail the whole natural gas drilling, completion, transportation, and processing value chain - with a particular focus on pneumatic controllers. In general, the regulations focus on reducing methane, VOC, and SO₂ emissions through capture or by replacing high-bleed pneumatic devices. They require US E&Ps use either low-bleed pneumatic controllers (less than 6 cubic feet per hour), use zero gas-bleed controllers, and monitor gas emissions.

In particular to Questor, the Quad O and Quad Oa prescribe regulations for flaring. For non-wildcat and non-delineation wells, the Quad Oa regulations require a combination of reduced emission completions (collect the flowback gas and put into a sales line) and the use of a completion combustion device during flowback. Exploratory and delineation wells are required to use a completion combustion device - a high-efficiency combustor.

The final Quad Oa standards require that producers use a completion combustion device during well completions which includes enclosed combustion device that:

- Reduces the mass content of VOCs by 95% or greater and reduces the concentration of total organic compounds in the exhaust to less than 20 parts per million.
- Must operate at a minimum temperature of 760C (1,400F)
- Must have a continuous pilot.

State Level Regulatory Summary

Colorado

- Colorado has the most strict regulations regarding flaring and emissions under Regulation Number 7. The standards are closely aligned with the EPA Quad O/Oa, but require the use of high efficiency combustors with at least a 98% efficiency.

North Dakota

- Gas can be flared for one year from first completion but there is not requirement for flare efficiency.
- After one year, if the operator continues to flare they will be charged royalties on the flared gas.
- Operators can get an exemption if they can prove that connecting to gas gathering systems is economically infeasible.

New Mexico

- Flare permits are issued based on expected emissions of regulated contaminants. Thresholds are at 10 tonnes per year, 25 tpy, and >100 tpy.
- Higher volume flares have correspondingly higher cost permits.
- Flares must be equipped with anti-flame-out systems
- Flare smoke has 20% max opacity standard

Texas

- Flaring in Texas is regulated under Statewide Rule 32 that allows flaring for up to 10 days after a well's completion.
- Extensions are regularly granted to cover the time until pipelines are available.
- Texas is very friendly to flaring. A flaring extension has never been rejected.

Flaring in the News - Public Perception and Social License

The development of regulations do not happen in a vacuum and are typically the response of public debate.

Break between national and local concerns may drive different prescriptions. A survey of the numerous news articles (only in printed media) discovers a noticeable break between national and local perspectives on flaring (see Exhibit 13). The media consistently raises three concerns about flaring: (1) the economic waste associated with burning a viable product, (2) the impacts on climate change, and (3) the local pollution and health impacts.

The national-level discussion on flaring is typically more focused on the economic waste and climate change impacts while the local-level is focused on community pollution and health.

This has been borne out in the regulatory response. The most aggressive flaring regulatory responses are found where the oilfield is interspersed among residential communities - Colorado - while the least dense have seen limited regulation - West Texas and North Dakota.

Exhibit 13: Samples of Flaring Issues in the Local and National News

Date	Source	Article	Issues Addressed			
			Economic Waste	Climate Change	Pollution & Health	Other
National-Level Media						
Sep-2019	Bloomberg	Snuffed-Out Flares Are Biggest Methane Offender, Satellites Show		✓	✓	
Sep-2019	Forbes	New Permian Gas Pipelines Will Reduce Flaring, But What About Prices?	✓			
Sep-2019	Washington Post	Flaring, or Why So Much Gas Is Going Up in Flames	✓	✓	✓	
Aug-2019	BBC News	Mossmorran: Almost 1,400 complaints over chemical plant's flaring			✓	✓
Aug-2019	Bloomberg	The Permian Boom Collides With a Governor's Climate-Change Push		✓	✓	
Aug-2019	Wall Street Journal	The Leaks That Threaten the Clean Image of Natural Gas		✓		
Jul-2019	Wall Street Journal	Texas Showdown Flares Up Over Natural-Gas Waste	✓			
Jun-2019	Reuters	Natural gas flaring hits record high in first quarter in U.S. Permian Basin	✓			
Jun-2019	CNBC	Natural gas flaring hits record high in Q1 in U.S. Permian Basin	✓	✓		
May-2019	Los Angeles Times	North Dakota oil producers are wasting billions of cubic feet of natural gas	✓	✓		
May-2019	ABC News	Problems with Valero refinery flaring persist in Benicia			✓	✓
Apr-2019	Bloomberg	Oil Producers Are Burning Enough 'Waste' Gas to Power Every Home in Texas	✓			
Mar-2019	Euronews	Texas is on fire with polluting flares from fracking NBC Left Field		✓	✓	✓
Jan-2019	BBC	Province says its plan will reduce Sask. methane gas emissions by 4.5M tonnes per year by 2025	✓	✓		
Jan-2019	Financial Times	Gas flaring lights up Texas skies amid US oil boom	✓			
Dec-2018	The New York Times	This is our Reality Now			✓	
Aug-2018	Wall Street Journal	In America's Hottest Drilling Spot, Gas Is Going Up in Smoke	✓	✓		
Nov-2017	Deutsche Welle	Gas flaring continues scorching Niger Delta	✓		✓	✓
Jun-2017	Scientific American	Health Effects of Oil and Gas Emissions Investigated in Texas		✓	✓	
Local or Regional News Outlets						
Oct-2019	Houston Chronicle	Texas' most dangerous border leads to New Mexico			✓	✓
Sep-2019	Carlsbad Current Argus (USA Today)	State of New Mexico works with data firm to track oil and gas methane emissions		✓		
Sep-2019	Beaumont Enterprise	Imelda cited in release of almost 100,000 pounds of air pollutants			✓	✓
Sep-2019	Casper Star Tribune	Flaring is on the rise nationwide. Where does Wyoming stand?	✓		✓	✓
Aug-2019	Texas Observer	The Environmental Protection Agency Wants to Repeal its Methane Emissions Limits		✓		
Aug-2019	Grand Forks Herald	Flaring reaches record high amid pipeline, gas plant shutdowns			✓	✓
Aug-2019	Grand Forks Herald	Commentary: Fracking and flaring a danger to families, oil field workers	✓	✓		
Aug-2019	Carleton Newsroom	Flaring in the Amazon	✓			✓
Jul-2019	FP	The United States' Gas Flare-Up	✓	✓	✓	
Jul-2019	Red River Radio	Texas Oil and Gas "Flaring" Goes Under-reported	✓	✓	✓	✓
Jun-2019	Carlsbad Current Argus (USA Today)	Data: Venting and flaring at 'all-time high' in Permian basin as oil and gas booms	✓			
Jun-2019	Rystad Energy	Permian natural gas flaring and venting reaching all-time high	✓			
Jun-2019	KQED News	Chevron's Richmond Refinery Flaring Incidents at Highest Level in More Than a Decade			✓	✓
May-2019	Durango Herald	Health issues rise amid oil, gas boom in New Mexico			✓	✓
May-2019	High Country News	The hidden consequences of New Mexico's latest oil boom			✓	✓
May-2019	Midland Reporter-Telegram	Permian has 'serious air pollution problem'			✓	
Apr-2019	The Ferret	Oil giant ExxonMobil could be prosecuted over flaring in Fife			✓	✓
Apr-2019	The Colorado Independent	Colorado's vaunted oil and gas rules are flawed and inadequately enforced			✓	
Apr-2019	Midland Reporter-Telegram	Oil producers are burning enough 'waste' gas to power every home in Texas	✓			
Mar-2019	Carlsbad Current Argus (USA Today)	WPX Energy tries an alternative to flare stacks in Eddy County			✓	✓
Mar-2019	KQED News	Chevron Flaring Incidents Already Double Last Year's Total — Which Was Highest in a Decade			✓	✓
Mar-2019	Sarnia Observer	No charges in 2017 Imperial Oil flaring incident			✓	✓
Feb-2019	Texas Observer	A New Study Shows that the Oil and Gas Industry is Wasting a Shocking Quantity of Natural Gas in Texas	✓	✓	✓	✓
Feb-2019	Detroit News	Marathon says cold weather may have caused flare system problem			✓	✓
Feb-2019	Las Cruces Sun News (USA Today)	N.M. gas, oil industry booming; proposal to freeze fracking permits until 2023 surfaces			✓	✓
Jan-2019	Chron	Natural gas flaring in West Texas severely under-reported, satellite analysis shows		✓	✓	✓
Jan-2019	Global News	No health hazard from refinery flare over Edmonton: Alberta Environment			✓	✓
Jan-2019	Global News	Edmonton refinery flare lights up night sky			✓	✓
Dec-2018	Public News Service	State, Federal Regulations Ease on ND Methane Flaring			✓	
Oct-2018	The Texas Tribune	As oil and gas exports surge, West Texas becomes the world's "extraction colony"			✓	
Nov-2017	Deutsche Welle	Gas flaring in the Niger Delta ruins lives, business			✓	
Oct-2016	Inside Climate News	EPA Agrees Its Emissions Estimates From Flaring May Be Flawed			✓	
May-2016	Odessa American	Report: Illegal emissions pollute sky			✓	
Feb-2015	San Antonio Express-News	Everything you need to know about flaring in the Eagle Ford Shale	✓		✓	
Sep-2014	Midland Reporter-Telegram	Flares emitting more pollution than refineries			✓	
Aug-2014	Houston Chronicle	Eagle Ford flares pollute the air more than oil refineries			✓	✓
Feb-2014	Inside Climate News	Fracking Boom Spews Toxic Air Emissions on Texas Residents			✓	

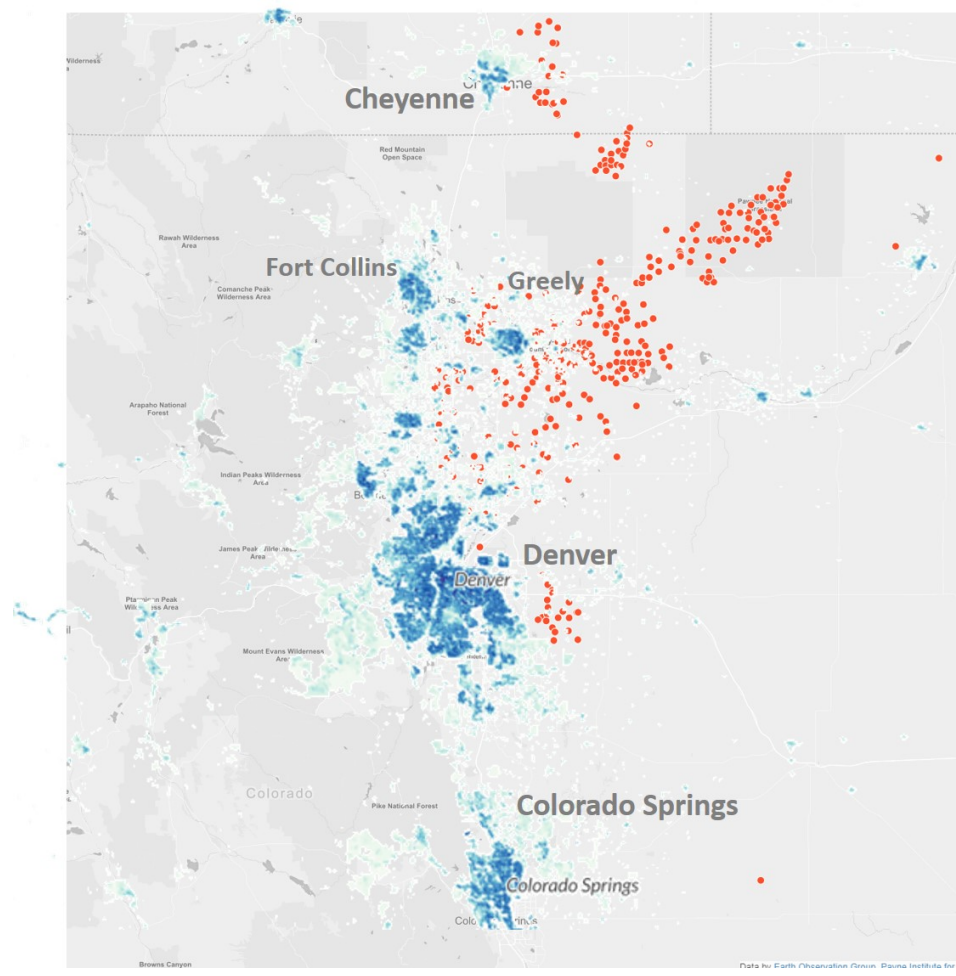
Source: Raymond James Ltd.

A visual examination of the flaring-population conflicts

In order to understand state and local regulations on flaring, it's extremely useful to examine the interface between flaring and local population centers.

Colorado has considerably fewer flares than either North Dakota or the Permian, but as we show in Exhibit 14, much of Colorado's flaring has been in close proximity to population centers just north of Denver and in and around Greeley. Unsurprising then that Colorado has taken some of the strongest measures in the union to ensure emissions from flares are as free from harmful emissions as possible. This has been an ideal setting for Questor to advance its 99.99% efficient incinerators.

Exhibit 14: Flares and people in Colorado and S. Wyoming - Areas of overlap and potential conflict (red dots are flares; blue areas are people)



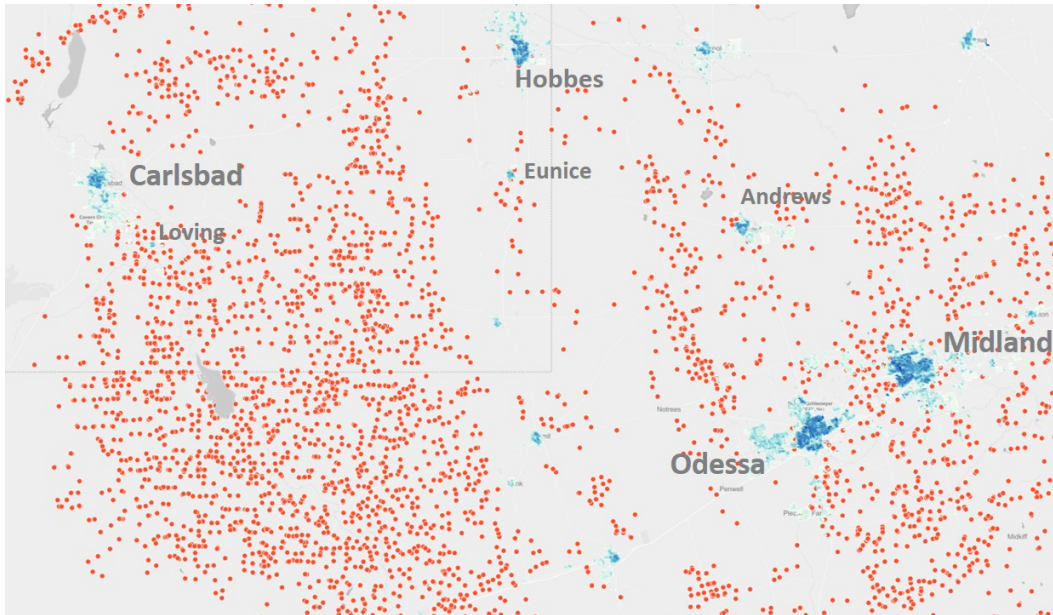
Sources: Skytruth (Annual Flaring Volume Estimates from NOAA's Earth Observation Group), DA Smith & CASA UCL, Raymond James Ltd.

By contrast, Permian operators flare at least 0.6 bcf/d via hundreds of active flares. In Texas, most flaring - but not all - takes place in remote areas. These flares are almost certainly spewing hundreds of thousands of tons of VOC, NOx, SOx and other emissions annually, but with no one to notice or complain to their local representatives, there is little impetus to enforce changes. We do notice relatively concentrated flaring surrounding both Midland and Odessa, TX, some of their outlying communities, and Andrews to the northwest.

New Mexico might be a different story as completion and flaring encroaches on population centers from Carlsbad southeast to Loving and surrounding area (Exhibit 15). New Mexico residents also elected a decidedly progressive governor in Nov-2018: Michelle Lujon Grisham (D). While the population isn't as dense as Colorado, we see similarities that could translate to a sizeable market for Questor.

The same analysis in North Dakota reveals almost no conflict between population regions and flaring.

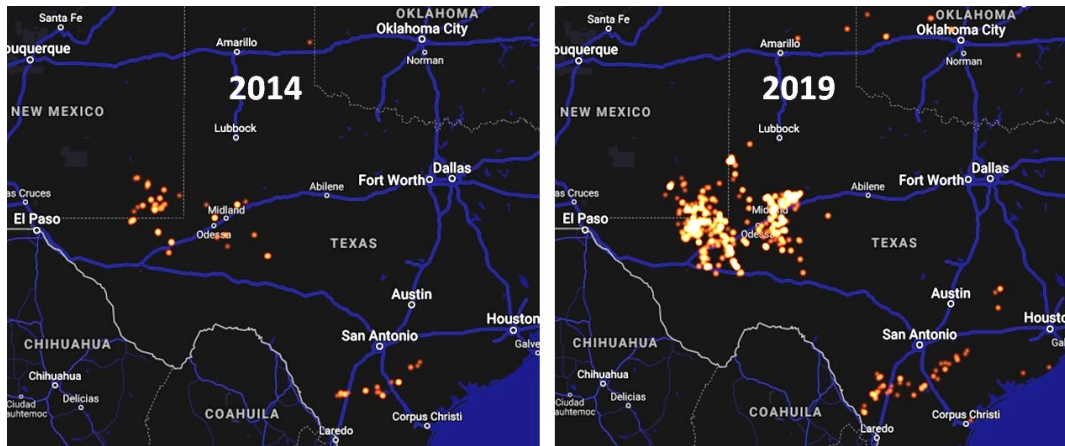
Exhibit 15: Flares and people in the Permian Basin - Areas of overlap and potential conflict (Red dots are Flares; blue areas are people)



Sources: Skytruth (Annual Flaring Volume Estimates from NOAA's Earth Observation Group), DA Smith & CASA UCL, Raymond James Ltd.

The problem is relatively new...

There has always been some degree of flaring in the Permian Basin - both in Texas and New Mexico, though Exhibit 16 shows the rate of flaring has grown rapidly in recent years. So rapidly that local and state regulations have probably not been able to keep up.

Exhibit 16: Evolution of Permian Flaring- 2014 to 2019

Source: Skytruth(Annual Flaring Volume Estimates from NOAA's Earth Observation Group)

What are producers saying?

Producers generally strive for good community relations, which is often achieved through direct community involvement, sponsorships, etc. These programs help communities and engender goodwill for the producer through their relatively high.

Most sustainability reports make heavy reference to fugitive emissions – methane in particular, though many make reference to NO_x, SO_x, and VOCs as well. The proffered solutions usually include replacement of high-bleed pneumatic valves, vapor capture – primarily in storage tanks – and overall reductions in flaring. In some cases, these sustainability reports make reference to a need to reduce VOCs, NO_x and SO_x, though this is usually in the context of strategies to reduce overall flaring – not usually to flare better.

Is executive compensation aligned with emissions targets?

Most executive compensation committees link discretionary bonuses to any number of returns-based factors, with some allocation to “HS&E” – usually 15%. Health and safety are hugely important factors for modern producers, so we’d suggest Environment receives at best a 7.5% allocation at the median. Of the portion of executive compensation allocated to environmental issues, the bulk is usually allocated to spill prevention and waste management.

Exhibit 17: Stated Producer Sustainability Priorities and Executive Comp Alignment

	Regions / States					Sustainability (with special attention to emissions, venting, and flaring)			Environmental Associations				
	New Mexico	Texas	Colorado	North Dakota	Canada	Emphasis	Actions	Environment/Emissions in Executive Comp	EPA NG Star	Climate Leadership Council	Oil and Gas Climate Initiative	Environmental Partnership	ONE Future Coalition
Chevron		✓		✓		target 25% ↓CH4; mention Nox, Sox, VOCs	Valve repl; ↓Flaring	15% HSE, mostly safety and spill prevention	✓		✓	✓	
EOG	✓	✓	✓	✓		CH4	Valve repl; Green completions; pre-build gas pipe	Not quantified					✓
ConocoPhillips	✓	✓	✓	✓	✓	GHGs	LDAR	20% to HSE; heavily-weighted to safety, spill prevention	✓	✓			✓
Occidental	✓	✓	✓			GHGs	Carbon capture, utilization & storage	10% based on sustainability measures	✓		✓		✓
ExxonMobil (XTO)	✓	✓	✓	✓	✓	Emissions	Carbon capture, utilization & storage; ↑efficiency processing; ↓emission technologies	Not quantified		✓	✓		✓
Diamondback	✓	✓				Emissions; GHGs	↓Emission, flared gas; install combustion equipment at each site to ensure the highest quantity of nat gas burned per 100 cubic feet vented.	No mention					
Encana		✓		✓	✓	GHGs	VRUs; 'Green completions'; LDAR	No mention					✓
Apache	✓	✓				GHGs; mention VOC and Nox	↓Flaring; ↑VRUs	~7.5%	✓				✓
Pioneer		✓				GHGs	LDAR, tie-ins	Not quantified	✓				✓
Concho	✓	✓				Emissions; VOCs; GHGs	Contols on combustion equip	Enviro goals noted, not quantified					
WPX	✓	✓		✓		Emissions in general	VRU, LDAR, Thermal oxidizers/enclosed combustors	10% Environ 7 Safety - Emphasis on Safety					✓
Noble		✓	✓			GHGs and other emissions	Flares have optical controls and thermo-couplers	HSE; Environmental compliance; Not quantified	✓				✓
Murphy		✓			✓	GHGs	LDAR	Not quantified	✓				✓
Parsley		✓				Fugitive CH4	LDAR	Qualitatively applied					
Continental					✓	Regulated gases	98% combustion efficiency	Some weighting					✓
Hess					✓	GHGs	LDAR; ↓Flaring	~20% to HSE; Heavy safety weighting	✓				✓
Cimarex	✓	✓											✓

Sources: Corporate Sustainability Reports, Proxy Statements, Presentations, Raymond James Ltd.

APPENDIX A: MANAGEMENT TEAM AND BOARD OF DIRECTORS

Management Team

Audrey Mascarenhas - President, Director, and CEM

Mrs. Mascarenhas is a chemical engineer with a Master's degree in petroleum. Mrs. Mascarenhas has over 38 years of oil and gas experience. She joined Questor in 1999, prior to which she held various positions in oil and gas. Mrs. Mascarenhas is a UofC Engineering Industry Advisor, Chair of the Federal Government Clean Technology Strategy roundtable, 2011 E&Y Entrepreneur of the Year, fellow of the Canadian Academy of Engineers, and distinguished lecturer for the Society of Petroleum Engineers.

Dan Zivkusic - CFO

Mr. Zivkusic is a CPA, CMA with over 20 years in the oil and gas industry in the E&P and service sectors. Mr. Zivkusic joined Questor in 2015.

John Sutherland - COO

Mr. Sutherland is a mechanical engineer with over 31 years of experience in domestic and international production operations, facility design, regulatory compliance, HSE and EPS with various mid-sized to large multinational oil and gas companies. Mr. Sutherland joined Questor in 2008 and became COO in 2014.

Robert Miller - President, ClearPower Systems

Mr. Miller is a mechanical engineer with over 45 years of experience in manufacturing co-generation and power generation with Amerada Hess (Microgen), Turbogenix, Calnetix, and General Electric. Mr. Miller joined Questor with the acquisition of ClearPower in 2014.

Justin Mahendra - VP, Sales & Marketing

Mr. Mahendra has 16 years of technical sales, account management and business development experience. He spent 7 years in waste management in the UK and Europe and the past 9 years in the North American oil and gas sector. Mr. Mahendra joined Questor in 2017.

Management Team

Stewart Hanlon - Chairman

Mr. Hanlon served as President and Chief Executive Officer of Gibsons Energy, a Canada-based midstream company, from 2009 to 2017. Mr. Hanlon is currently also on the board of Source Energy Services. Mr. Hanlon has been a director of Questor since November 2017.

Audrey Mascarenhas

Jim Inkster

Mr. Inkster is an independent businessperson and has been the President of Inland Motor Holdings since 1975. Mr. Inkster has been a director of Questor since January 1995.

Jean-Michel Gires

Mr. Gires was President and CEO of Total E&P Canada up to December 2012. He joined Chrysalix in 2013, an energy venture capital firm, where he was a Venture Partner up to 2015. Mr. Gires has been a director of Questor since September 2013.

Source: Questor Technology Inc.

APPENDIX B: RISKS

Demand and pricing for Questor's incineration products is ultimately dependent on the level of oilfield activity. Oilfield activity is defined by the supply and demand dynamics in global oil and gas markets. Changes in oilfield spending will impact the demand and pricing for Questor's products.

Questor operates in Canada, the United States, and in jurisdictions outside of North America. This exposes Questor to risks relating to, but not limited to, foreign currency fluctuations, changes in tax codes, and changes to legal/regulatory structures.

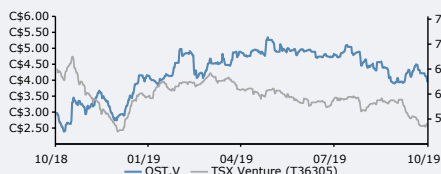
The ability for Questor to grow may be impacted by its access to capital. Changes in the conditions in the oilfield services market and changing demands from investors may impact QST's access to capital.

Questor has benefited from increasingly stringent environmental regulations but regulations that make oil and gas less competitive to other sources of energy or regulations that limit oil and gas exploration will have a negative impact on demand for QST's services and products.

Questor's operations are subject to common hazards in the oil and gas industry such as equipment defects, malfunctions and failures, and natural disasters which may result in fires, vehicle accidents, explosions and uncontrolled flow of gas and liquids. While the company maintains insurance that it believes is adequate and customary, these risks may expose the company to substantial liabilities.

COMPANY DESCRIPTION

Questor Technologies Inc. designs, sells, services, and provides a rental fleet of proprietary high efficiency waste gas incineration systems for the exploration, development, and production of oil and gas. Questor operates a fleet of rental incinerators in North America and is active in sales and service in international markets.

**IMPORTANT INVESTOR DISCLOSURES**

Raymond James & Associates (RJA) is a FINRA member firm and is responsible for the preparation and distribution of research created in the United States. Raymond James & Associates is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, Florida 33716, 727.567.1000. Non-U.S. affiliates, which are not FINRA member firms, include the following entities which are responsible for the creation or distribution of research in their respective areas; In Canada, Raymond James Ltd. (RJL), Suite 2100, 925 West Georgia Street, Vancouver, BC V6C 3L2, 604.659.8200.; In Europe, Raymond James Euro Equities, SAS, 45 Avenue George V, 75008, Paris, France, +33 1 45 61 64 90 and Raymond James Financial International Ltd., Ropemaker Place, 25 Ropemaker Street, London, England, EC2Y 9LY, +44 203 798 5600.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer would be illegal. It does not constitute a personal recommendation nor does it take into account the particular investment objectives, financial situations, or needs of individual clients. Information in this report should not be construed as advice designed to meet the individual objectives of any particular investor. **Investors should consider this report as only a single factor in making their investment decision.** Consultation with your investment advisor is recommended. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur.

The information provided is as of the date above and is subject to change, and it should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. Persons within the Raymond James family of companies may have information that is not available to the contributors of the information contained in this publication. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication.

With respect to materials prepared by Raymond James Ltd. ("RJL"), all expressions of opinion reflect the judgment of the Research Department of RJL, or its affiliates, at this date and are subject to change. RJL may perform investment banking or other services for, or solicit investment banking business from, any company mentioned in this document.

Raymond James ("RJ") research reports are disseminated and available to RJ's retail and institutional clients simultaneously via electronic publication to RJ's internal proprietary websites ([RJ Client Access](#) & [RaymondJames.com](#)). Not all research reports are directly distributed to clients or third-party aggregators. Certain research reports may only be disseminated on RJ's internal proprietary websites; however, such research reports will not contain estimates or changes to earnings forecasts, target price valuation, or investment or suitability rating. Individual Research Analysts may also opt to circulate published research to one or more clients electronically. This electronic communication distribution is discretionary and is done only after the research has been publically disseminated via RJ's internal proprietary websites. The level and types of communications provided by Research Analysts to clients may vary depending on various factors including, but not limited to, the client's individual preference as to the frequency and manner of receiving communications from Research Analysts. For research reports, models, or other data available on a particular security, please contact your RJ Sales Representative or visit [RJ Client Access](#) or [RaymondJames.com](#).

Links to third-party websites are being provided for information purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any third-party website or the collection or use of information regarding any website's users and/or members.

In the event that this is a compendium report (i.e., covers 6 or more subject companies), Raymond James Ltd. may choose to provide specific disclosures for the subject companies by reference. To access these disclosures, clients should refer to: <http://www.raymondjames.ca> (click on Equity Capital Markets/Equity Research/Research Disclosures) or call toll free at 1.800.667.2899.

Analyst Information

Analyst Compensation: Equity Research analysts and associates at Raymond James are compensated on a salary and bonus system. Several factors enter into the compensation determination for an analyst, including i) research quality and overall productivity, including success in rating stocks on an absolute basis and relative to the local exchange composite index and/or sector index, ii) recognition from institutional investors, iii) support effectiveness to the institutional and retail sales forces and traders, iv) commissions generated in stocks under coverage that are attributable to the analyst's efforts, v) net revenues of the overall Equity Capital Markets Group, and vi) compensation levels for analysts at competing investment dealers.

The analyst Andrew Bradford, primarily responsible for the preparation of this research report, attests to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers and (2) that no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views in this research report. In addition, said analyst(s) has not received compensation from any subject company in the last 12 months.

Ratings and Definitions

Raymond James Ltd. (Canada) Definitions: Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. **Outperform (MO2)** The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next 12 months. **Market Perform (MP3)** The stock is expected to perform generally in line with the S&P/TSX composite Index over the next 12 months and is potentially a source of funds for more highly rated securities. **Underperform (MU4)** The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to 12 months and should be sold. **Suspended (S)** The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James & Associates (U.S.) Definitions: Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months. **Outperform (MO2)** Expected to appreciate or outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months. **Market Perform (MP3)** Expected to perform generally in line with the S&P 500 over the next 12 months. **Underperform (MU4)** Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold. **Suspended (S)** The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

	Coverage Universe Rating Distribution*		Investment Banking Relationships	
	RJA	RJL	RJA	RJL
Strong Buy and Outperform (Buy)	56%	61%	20%	22%
Market Perform (Hold)	41%	37%	11%	16%
Underperform (Sell)	3%	2%	3%	0%

* Columns may not add to 100% due to rounding.

Suitability Ratings (SR): Medium Risk/Income (M/INC) Lower to average risk equities of companies with sound financials, consistent earnings, and dividend yields above that of the S&P 500. Many securities in this category are structured with a focus on providing a consistent dividend or return of capital. Medium Risk/Growth (M/GRW) Lower to average risk equities of companies with sound financials, consistent earnings growth, the potential for long-term price appreciation, a potential dividend yield, and/or share repurchase program. High Risk/Income (H/INC) Medium to higher risk equities of companies that are structured with a focus on providing a meaningful dividend but may face less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and potential risk of principal. Securities of companies in this category may have a less predictable income stream from dividends or distributions of capital. High Risk/Growth (H/GRW) Medium to higher risk equities of companies in fast growing and competitive industries, with less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial or legal issues, higher price volatility (beta), and potential risk of principal. High Risk/Speculation (H/SPEC) High risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal.

Note that Raymond James Ltd. (RJL) has developed a proprietary algorithm for risk rating individual securities. The algorithm utilizes data from multiple vendors, and all data is refreshed at least monthly. Accordingly, Suitability Ratings are updated monthly. The Suitability Rating shown on this report is current as of the report's published date. In the event that a Suitability Rating changes after the published date, the new rating will not be reflected in research materials until the analyst publishes a subsequent report.

Raymond James Relationship Disclosures

Certain affiliates of the RJ Group expect to receive or intend to seek compensation for investment banking services from all companies under research coverage within the next three months.

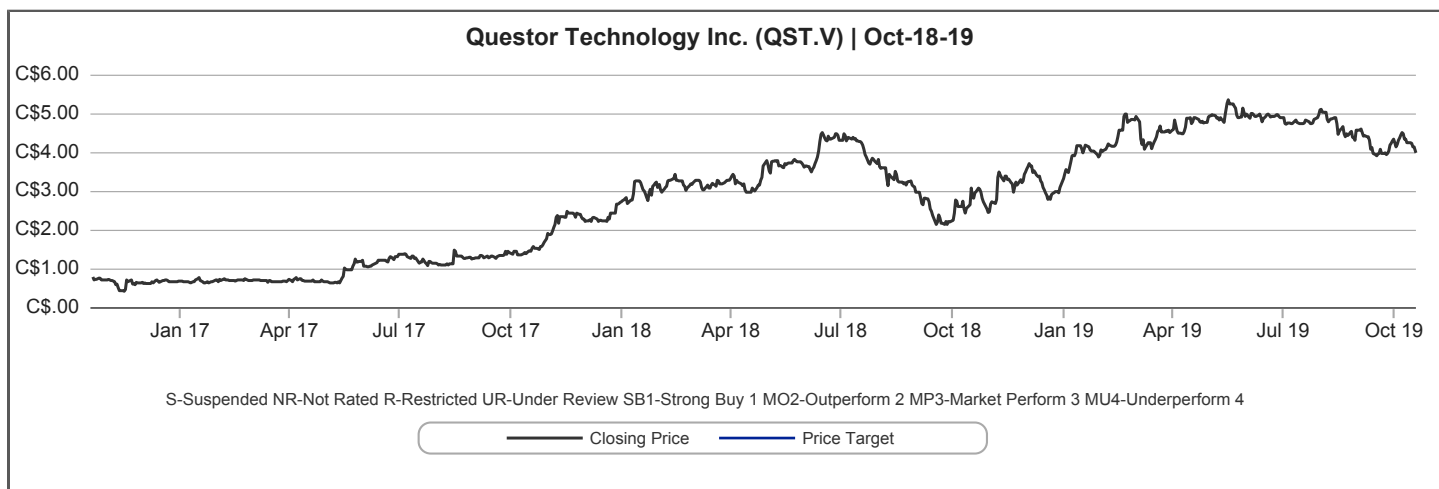
The person(s) responsible for the production of this communication declare(s) that, as far as they are aware, there are no relationships or circumstances (including conflicts of interest) that may in any way impair the objectivity of this recommendation directly or indirectly relates, this has been declared below. This statement applies equally to any persons closely associated with him or her. However, it is possible that persons making communications in relation to a financial instrument may have a holding in that instrument and this will be disclosed. As stated, Raymond James Canada (RJC) has controls in place to manage such risks.

Company Name	Disclosure
Questor Technology Inc.	The analyst or associate at Raymond James Ltd. has viewed the material operations of Questor Technology Inc..

Stock Charts, Target Prices, and Valuation Methodologies

Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences.

Target Prices: The information below indicates our target price and rating changes for the subject companies over past three years.



Valuation Methodology

Questor Technology Inc.:

We value Questor Technologies on a comparative basis to historical EV/EBITDA and to relevant peers in the North American oilfield services industry. Our target multiple takes into account growth potential, financial leverage, market liquidity, and asset value.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the businesses of the subject companies and the projected target prices and recommendations included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product/service pricing could change and adversely impact expected revenues and earnings; (2) issues relating to major competitors or market shares or new product expectations could change investor attitude toward the sector or this stock; (3) Unforeseen developments with respect to the

management, financial condition or accounting policies or practices could alter the prospective valuation.

Company-Specific Risks

Questor Technology Inc.:

Demand and pricing for Questor's incineration products is ultimately dependent on the level of oilfield activity. Oilfield activity is defined by the supply and demand dynamics in global oil and gas markets. Changes in oilfield spending will impact the demand and pricing for Questor's products.

Questor operates in Canada, the United States, and in jurisdictions outside of North America. This exposes Questor to risks relating to, but not limited to, foreign currency fluctuations, changes in tax codes, and changes to legal/regulatory structures.

The ability for Questor to grow may be impacted by its access to capital. Changes in the conditions in the oilfield services market and changing demands from investors may impact QST's access to capital.

Questor has benefited from increasingly stringent environmental regulations but regulations that make oil and gas less competitive to other sources of energy or regulations that limit oil and gas exploration will have a negative impact on demand for QST's services and products.

Questor's operations are subject to common hazards in the oil and gas industry such as equipment defects, malfunctions and failures, and natural disasters which may result in fires, vehicle accidents, explosions and uncontrolled flow of gas and liquids. While the company maintains insurance that it believes is adequate and customary, these risks may expose the company to substantial liabilities.

International Disclosures

FOR CLIENTS IN CANADA

This report is not prepared subject to Canadian disclosure requirements, unless a Canadian analyst has contributed to the content of the report.

In the case where there is Canadian analyst contribution, the report meets all applicable IIROC disclosure requirements.

FOR CLIENTS IN THE UNITED STATES:

Any foreign securities discussed in this report are generally not eligible for sale in the U.S. unless they are listed on a U.S. exchange. This report is being provided to you for informational purposes only and does not represent a solicitation for the purchase or sale of a security in any state where such a solicitation would be illegal. Investing in securities of issuers organized outside of the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. There may be limited information available on such securities. Investors who have received this report may be prohibited in certain states or other jurisdictions from purchasing the securities mentioned in this report. Please ask your Financial Advisor for additional details and to determine if a particular security is eligible for purchase in your state.

Raymond James Ltd. is not a U.S. broker-dealer and, therefore, is not governed by U.S. laws, rules or regulations applicable to U.S. broker-dealers. Consequently, the persons responsible for the content of this publication are not licensed in the U.S. as research analysts in accordance with applicable rules promulgated by the U.S. Self Regulatory Organizations.

Any U.S. Institutional Investor wishing to effect trades in any security should contact Raymond James (USA) Ltd., a U.S. broker-dealer affiliate of Raymond James Ltd.

FOR CLIENTS IN THE UNITED KINGDOM:

For clients of Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This report is for the use of professional investment advisers and managers and is not intended for use by clients.

For purposes of the Financial Conduct Authority requirements, this research report is classified as independent with respect to conflict of interest management. RJFI, and Raymond James Investment Services, Ltd. are authorised and regulated by the Financial Conduct Authority in the United Kingdom.

FOR CLIENTS IN FRANCE:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monétaire et Financier" and Règlement Général de l'Autorité des Marchés Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For Clients of Raymond James Euro Equities: Raymond James Euro Equities is authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution and the Autorité des Marchés Financiers.

For institutional clients in the European Economic Area (EEA) outside of the United Kingdom: This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may be lawfully submitted.

Proprietary Rights Notice: By accepting a copy of this report, you acknowledge and agree as follows:

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate, or commercially exploit the information contained in this report, in printed, electronic, or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose.

This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec. 501 et seq, provides for civil and criminal penalties for copyright infringement. No copyright claimed in incorporated U.S. government works.

Additional information is available upon request. This document may not be reprinted without permission.

RJL is a member of the Canadian Investor Protection Fund. Copyright 2019 Raymond James Ltd.