MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") of financial condition and results of operations presented herein is provided to enable readers to assess the results of operations, liquidity and capital resources of Questor Technology Inc. ("Questor" or the "Company") as at, and for the three and six month periods ended June 30, 2014 compared to the corresponding date and periods of 2013.

This MD&A dated August 27, 2014 should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes of Questor as at and for the three and six month periods ended June 30, 2014 and with the audited financial statements and MD&A of the Company as at and for the year ended December 31, 2013.

The unaudited condensed consolidated financial statements as at and for the three and six months ended June 30, 2014 and related comparatives are based on International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). All references to dollar values refer to Canadian dollars unless otherwise stated.

The unaudited condensed consolidated financial statements for the three and six month periods ended June 30, 2014 and related MD&A have been approved and authorized for issue by Questor's Board of Directors and Audit Committee.

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

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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

BUSINESS OVERVIEW

The Company

Questor is an international environmental oilfield services provider founded in late 1994 and headquartered in Calgary, Alberta, Canada with a field office located in Grande Prairie, Alberta. The Company is focused on clean air technologies with activities in Canada, the United States, Europe and Asia. Questor designs and manufactures high combustion efficiency waste gas incinerators for sale or for use on a rental basis and also provides combustion-related oilfield services. The Company's proprietary incinerator technology destroys noxious or toxic hydrocarbon gases while enabling regulatory compliance, environmental protection, public confidence and reduced operating costs for customers. Questor is recognized for its particular expertise in the combustion of sour gas (H_2S). While the Company's current customer base is primarily in the oil and gas industry, its technology is applicable to other industries such as landfills, water and sewage treatment, tire recycling and agriculture. Questor trades on the TSX Venture Exchange under the symbol "QST".

Questor acquired all of the outstanding shares of ClearPower Systems Inc. ("CPS"), a Delaware company, on January 31, 2014. That company has prototype waste heat to power generation technology that is expected to be developed to commercial status by mid 2015. The activities of CPS are included within the information provided in this MD&A. A full discussion of the details of the acquisition is included in Note 3 to the unaudited condensed consolidated financial statements of Questor as at and for the three and six month periods ended June 30, 2014.

Financial Highlights Summary – Second Quarter 2014

(Stated in Canadian dollars except shares outstanding)

		Three months ended June 30			Six months ended June 30		
For the		**2014**	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Revenue		**4,502,651**	2,263,746	2,238,905	**7,718,088**	3,983,323	3,734,765
Gross profit(1)		**2,545,152**	1,177,440	1,367,712	**3,987,693**	2,067,881	1,919,812
EBITDA(1)		**1,966,338**	797,589	1,168,749	**3,121,207**	1,453,810	1,667,397
Profit for the period(2)		**1,394,323**	634,176	760,147	**2,196,073**	1,051,261	1,144,812
Cost of sales as a percent of revenue(1)		**43.5%**	48.0%	(4.5%)	**48.3%**	48.1%	0.2%
Cash generated from operations before movements in non-cash working capital(1)		**2,087,203**	879,007	1,208,196	**3,342,268**	1,541,412	1,800,856
Shares outstanding(3)							
	Basic	**25,475,639**	25,076,601	399,038	**25,379,539**	25,042,177	337,362
	Diluted	**26,478,434**	25,729,800	748,634	**26,364,696**	25,621,734	742,962
Earnings per share	Basic	**0.055**	0.025	0.030	**0.087**	0.042	0.045
	Diluted	**0.053**	0.025	0.028	**0.083**	0.041	0.042

As at June 30	**2014**	2013	Increase (decrease)
Total assets	**16,156,941**	11,086,002	5,070,939
Non-current liabilities	**144,904**	278,695	(133,791)

(1) *Non-IFRS financial measure. Please see discussion in the Non-IFRS Financial Measures section of this MD&A.*
(2) *Before Other comprehensive income*
(3) *Weighted average number of shares*

Financial Highlights Summary - Quarterly

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

	2014	2013				2012		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**4,503**	3,215	2,602	2,990	2,263	1,720	2,152	1,113
Gross profit[(1)]	**2,545**	1,442	1,322	1,337	1,177	890	985	591
EBITDA[(1)]	**1,967**	1,154	964	1,036	798	656	497	299
Profit and total comprehensive income	**1,403**	800	675	818	634	417	298	155
Earnings per share - Basic	**0.06**	0.03	0.02	0.03	0.03	0.02	0.01	0.01
- Diluted	**0.05**	0.03	0.02	0.03	0.03	0.02	0.01	0.01

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

There are a number of factors contributing to quarterly variations that may not be reflective of Questor's future performance. A significant portion of the Company's operations are carried on in western Canada where activity levels in the oilfield services industry are subject to a degree of seasonality due to volatility in the weather and temperatures. Oilfield services demand is driven by customer capital spending and drilling programs which are affected by crude oil and natural gas commodity prices, changes in legislation and seasonal behaviours. Other factors causing variation include the Company's mix of products sold and/or rented in each period, the mix of the services delivered and the currency in which the sales are transacted. Activity in the Company's subsidiary ClearPower Systems Inc. was focused mainly on refining the design of the prototype waste heat to power generator and as such has had minimal impact on operating results for the three and six month periods ended June 30, 2014.

FINANCIAL RESULTS ANALYSIS

Questor's consolidated financial information and the related discussion of consolidated financial results are for the three and six month periods ended June 30, 2014 and 2013.

Profit and total comprehensive income
(Stated in Canadian dollars)

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Profit and total comprehensive income	**1,402,558**	634,176	768,232	2,202,658	1,051,261	1,151,397
Earnings per share - Basic	**0.055**	0.025	0.030	0.087	0.042	0.045
Earnings per share - Diluted	**0.053**	0.025	0.028	0.083	0.041	0.042

Profit and total comprehensive income for the three months ended June 30, 2014 was $1,402,558 (0.055 per basic share) compared to $634,176 ($0.025 per basic share) for the same three month period in the prior year. The $768,232 (121 per cent) increase in profit and total comprehensive income is primarily attributable to the increased number and the generally higher capacities of the incinerators sold in the current quarter. Incinerator rental income was also higher in the three months ended June 30, 2014 when compared to the same period in the prior year.

In the three months ended June 30, 2014 higher sales and rental revenues were partially offset by comparatively lower combustion services revenue and increased administrative expense, the latter driven by the addition of personnel to the team to assist in managing the Company's growth. Net foreign exchange losses in the three month period ended June 30, 2014 as opposed to net foreign exchange gains in the comparative period of the prior year also negatively impacted profit for the period.

Profit and total comprehensive income for the six months ended June 30, 2014 of $2,202,658 ($0.087 per basic share) was more than double profit of $1,051,261 ($0.042 per basic share) for the first six months of 2013. This increase in profitability is due to higher sales and rental revenues arising from differences in the volume and mix of incinerators sold and rented in each period. Higher Incinerator and combustion services revenue also contributed to the increase in profit in the six month period.

Higher administration expenses partially offset the impact of higher revenues on profit and total comprehensive income for the six months ended June 30, 2014 as did higher income tax expense when compared to the same period of 2013. The higher income tax expense was the result of the higher level of income before tax earned by the Company in 2014.

Revenue and Other income
(Stated in Canadian dollars)

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Sale of goods	**3,999,279**	1,865,009	2,134,271	**6,765,976**	3,165,720	3,600,258
Rendering of services						
Incinerator rental revenue	**412,332**	285,677	126,654	**670,691**	558,687	112,003
Incinerator and combustion services	**91,040**	113,060	(22,020)	**281,421**	258,916	22,505
Revenue	**4,502,651**	2,263,746	2,238,905	**7,718,088**	3,983,323	3,734,766

Revenue increased by 99 and 94 percent, respectively, in the three and six month periods ended June 30, 2014 compared to the corresponding periods of 2013. Revenues are impacted by the volume and mix of incinerators sold and rented in each comparative period, as well as by the level of incinerator and combustion services the Company delivers.

The number of incinerators sold in the three months ended June 30, 2014 increased by 40 percent when compared to the same period of 2013. In the six month period ended June 30, 2014 the number of units sold was double the number sold in the same six month period of the prior year.

Rental revenues are also impacted by the volume and mix of incinerator capacities rented out in a period. The Company increased the utilization rate of the rental fleet on a capacity basis from 32 percent in 2013 to 60 percent in the three months ended June 30, 2014. That rate is anticipated to move substantially upward during the third and fourth quarters as a number of units began to move to sites near the end of the second quarter and will commence generating rental revenues very early in the third quarter under long term contracts the Company entered into with customers.

Partially offsetting the gains in the first two revenue streams in the second quarter of 2014 when compared to the same period of 2013 was lower Incinerator and combustion services revenue which is a function of the timing of commissioning services on units sold and demand for rental and combustion services. In the six months ended June 30, 2014 Incinerator and combustion services revenue was higher when compared to the same period of the prior year as a result of the timing of commissioning services delivered in the first three months of the current year on units that were sold in prior quarters.

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

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Interest income	**10,421**	500	9,921	**12,173**	4,248	7,925
Other	**758**	1,796	(1,038)	**1,705**	2,724	(1,019)
	11,179	2,296	8,883	**13,878**	6,972	6,906)

Cost of sales
(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Cost of sales	**1,957,499**	1,086,306	871,193	**3,730,395**	1,915,442	1,814,953
Cost of sales as a percent of revenue(1)	**43.5%**	48.0%	(4.5%)	**48.3%**	48.1	.2%

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

Cost of sales was higher in the three and six month periods ended June 30, 2014 when compared to the same periods of 2013. The higher volume of sales and rentals was the main driver of this increase.

The ratio of cost of sales as a percent of revenue was 43.5 percent and 48.3 percent respectively for the three and six months ended June 30, 2014 compared to 48.0 percent and 48.1 percent for the three and six months ended June 30, 2013. The ratio generally falls within a relatively narrow range but there will be variation because of differences in the mix of capacities of the incinerators that are sold and their related margins as well as the number and size of units rented in the respective periods. In addition, the Company incurs a level of fixed costs regardless of revenues generated in each period resulting in a lower ratio in higher revenue periods.

Administration expenses
(Stated in Canadian dollars)

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Employee costs	**318,232**	284,477	33,755	**544,375**	469,996	74,379
Share-based payments	**74,566**	17,101	57,465	**89,847**	32,985	56,862
Consultants and contractors	**34,678**	36,113	(1,435)	**75,317**	76,613	(1,296)
Marketing/business development	**10,708**	24,921	(14,213)	**24,128**	33,507	(9,379)
Office costs	**71,456**	58,336	13,120	**136,393**	105,592	30,801
Corporate/regulatory compliance	**45,799**	66,977	(21,178)	**149,100**	119,837	29,263
Research and development	**48,040**	8,419	39,621	**69,139**	8,419	60,720
Other	**2,245**	1,313	932	**4,581**	4,258	323
Administration expenses	**605,724**	497,657	108,067	**1,092,880**	851,207	241,673

Administration expenses are higher in both the three and six month periods of 2014 when compared to the same periods of the prior year. Employee costs are higher as the Company increased engineering staff at the head office location in the second quarter of 2014. Impacting the comparison for the six month period were salary increases which were effective at the beginning of 2014 and also, with improved results, an increased accrual under the annual bonus plan.

Share-based payments are up due to the granting of additional options to employees and directors of the Company in the second quarter of 2014 at higher option values due to the increase in the Company's share price. Marketing/business development costs are lower in the current year due to the differing travel profile of the Chief Executive Officer in the current year periods compared to those of the prior year. Office costs for the Canadian operation were lower in the three months ended June 30, 2014 when compared to the same period in the prior year due mainly to the Company having completed the spending required to increase and stabilize computing capacity, however office set up costs in the ClearPower operation more than offset the reduction. Corporate regulatory and compliance costs are lower in the three month period ended June 30, 2014 when compared to the same period of the prior year due mainly to lower allocated insurance premium cost in the current period, but higher in the six month period resulting from increases in stock exchange and directors fees as well as costs incurred in the due diligence process leading up to the acquisition of ClearPower Systems Inc. Research and development expenses are higher in both the three and six month periods ended June 30, 2014 when compared to the prior year due in large part to the Company's renewed focus on research in the waste heat to power area.

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

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Realized	**(151,108)**	(10,763)	140,345	(379,398)	(43,149)	336,249
Unrealized	**185,155**	(36,674)	(221,829)	270,291	(49,285)	(319,576)
Net foreign exchange losses (gains)	**34,047**	(47,437)	(81,484)	(109,107)	(92,434)	16,673

Several factors have combined to generate the variances, the most significant of which was the relationship of the Canadian dollar (CAD) to the U.S. dollar (USD) over the respective periods. During the first six months of 2013, the USD averaged very close to par with the CAD. In 2014 the USD gained substantial strength very early in 2014 and maintained that strength, averaging $1.10 to the CAD until near the end of June, 2014 when the USD fell back somewhat. In addition, the USD sales in 2014 were $1.1 million higher than in the previous year and as such generated a higher level of realized gains as the cash came in and was converted to CAD according to Company policy.

It is the late period fade of the USD that created the large values in the unrealized losses category as there were outstanding USD balances at the quarter end that needed to be re-valued to the new lower rate from what they had been recorded at. How the exchange rate changes between June 30, 2014 and the dates when the amounts are collected will dictate whether realized gains or losses will ultimately be recorded for the amounts receivable.

Depreciation of property and equipment
(Stated in Canadian dollars)

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Depreciation included in cost of sales	**49,776**	68,420	(18,644)	**103,409**	138,077	(34,668)
Depreciation included in expenses	**13,973**	9,799	4,174	**25,937**	20,539	5,398
Depreciation of property and equipment	**63,749**	78,219	(14,470)	**129,346**	158,616	(29,270)

Depreciation included in Cost of sales for the three and six month periods ended June 30, 2014 is lower than in the corresponding periods of 2013 due to the reduction in the rental fleet during 2013 resulting from the sale of five of the units to meet tight customer delivery timeframes. Partially offsetting that impact was increased depreciation on vehicles as new service vehicles were acquired during 2013 and early 2014 to replace units that had mileaged out. Depreciation included in expenses is higher in the three and six months ended June 30, 2014 when compared to the prior year mainly as a result of additions to the Company's computing capacity and to the inclusion of depreciation of the ClearPower prototype unit.

Amortization of intangible assets
(Stated in Canadian dollars)

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Amortization of intangible assets	**1,332**	304	1,028	**1,637**	609	1,028

The amount of amortization of intangible assets recorded for each of the three and six month periods ending June 30, 2014 and 2013 has increased, reflecting the amortization of patent costs evenly over their lifetime and the amortization of upgraded manufacturing plans and drawings management commissioned for its trailers and incineration units.

Losses on disposal of property and equipment

(Stated in Canadian dollars)

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Losses on disposal of property and equipment	**-**	(347)	(347)	-	(347)	(347)

In second quarter 2013, the Company disposed of a service vehicle with a net book value of $5,347 for proceeds of $5,000, resulting in a net loss on disposition of $347.

Income tax expense
(Stated in Canadian dollars)

	For the three months ended June 30			For the six months ended June 30		
	2014	2013	Increase (decrease)	**2014**	2013	Increase (decrease)
Current income tax	**501,934**	102,855	399,079	**798,376**	254,233	544,143
Deferred income tax	**4,998**	(17,965)	22,963	**(4,225)**	(10,909)	6,684
Income tax expense	**506,932**	84,890	422,042	**794,151**	243,324	550,827

An income tax expense of $506,932 for the three months ended June 30, 2014 is reflective of a profit before tax of $1,901,255 as compared to an income tax expense of $84,890 on a profit before tax of $719,066 for the corresponding quarter in 2013. An income tax expense of $794,151 for the first six months of 2014 is reflective of a profit before tax of $2,990,224 as compared to an income tax expense of $243,324 on a profit before tax of $1,294,585 for the same period in 2013.

The level of income tax expense relative to the profit before tax in each of the three and six month periods ended June 30, 2014 and 2013 is determined by the application of statutory income tax rates adjusted for differences between the accounting and tax basis of assets and liabilities. In 2013, the Company sold incinerators that had been capitalized to the rental pool in prior years which resulted in a more favorable income tax treatment for that year. With the high rental fleet utilization rate in 2014 no such sales have been made or are currently anticipated.

OUTLOOK

Management continues to develop strategic relationships with organizations in various regions where the introduction of stringent air emissions regulations are providing an impetus to operators to identify and pursue high combustion efficiency solutions to their flaring and venting issues. One such region which is leading the charge is Colorado where management will meet during the last week of August with senior individuals in several of the top producing corporations in the state to increase awareness of the quality and capability of Questor's range of products.

Also boding well for the future revenue producing activities of the Company are the increasingly strong voices and impact public sentiment is bringing to the issue of clean air.

In addition to pursuing market opportunities, management is also looking at strategic alliances with respect to the fabrication of certain non-proprietary components of the Company's units at locations in or near the markets expected to present the highest sales opportunities. The Company has also leased larger space in Grande Prairie for its fabrication operation and expects to bring more of the currently outsourced processes in house to reduce overall unit costs for incinerators that will be sold or rented in Canada. At June 30, 2014 an inventory of 29 incinerators of various sizes in various stages of fabrication was available, which units can be completed and moved to customer locations on very short time frames once the sales or rental orders are received.

Revenue of $6,765,976 from the sale of incinerators generated in the first half of 2014 amounted to 83 per cent of the prior year's total incinerator sales revenue. Questor has confirmed sales orders for a further $1.8 million that, based on current customer-defined delivery schedules, is expected to be recorded in the third quarter of 2014. While the number and timing of additional projects for which Questor's products will be selected is not easily determinable, the current number of requests for proposal and the increasing complexity of the applications to which Questor's technology is sought supports the potential for additional incinerator sales for which revenue would be recognized before the end of the current fiscal year.

Utilization of the rental fleet capacity in the first half of 2014 was almost double that of the prior year and utilization rates in the second half of the year are expected to increase substantially. Two current and one new customer have been provided with six units under long term contracts, some of which commenced generating rental revenue late in the second quarter of 2014 and the remainder will do so in the third quarter and beyond.

Questor's focus is on increasing profitability and creating long-term value through strategic expansion of the Company's presence in the United States and Europe, improved asset utilization, new product development and cost management. The Company is positioned to capitalize on the longer-term growth opportunities due to its proprietary technology, recognized technical expertise, established customer base and markets and financial capacity.

Management is also focused on completing the design adjustments that will lead to fabrication of additional prototype units of the ClearPower waste heat to power generation process, for testing and final stage development by the end of the year. Commercial status of the units and the subsequent fabrication of units for sale or rental is anticipated to be achieved in 2015. The units are expected to be sold or rented on a stand-alone basis as well as packaged with the Company's incinerators where that is the logical source of waste heat for the generators.

FINANCIAL POSITION

The following table outlines the significant changes in Questor's financial position from December 31, 2013 to June 30, 2014.

Statement of financial position item	Increase (decrease)	Explanation
Cash and cash equivalents	(1,687,733)	Questor generated significant cash from operations during the six month period ended June 30, 2014, which was more than offset by the Company's investments in fabrication of units for rental and inventory for sale and in the ClearPower subsidiary's activities. In addition, the timing of sales during the six months generated an increase in accounts receivable at the end of the period.
Trade and other receivables	1,912,908	The timing of sales during the six months was such that accounts receivable at the end of the period increased substantially from the end of the prior year. The Company collected the majority of the increased amounts over the six weeks following June 30, 2014.
Inventories	413,118	The increase is driven by the number and capacity of incinerator units in fabrication and the related percent of completion of each at the comparatives dates.
Trade payables, accrued liabilities and provisions	(466,934)	The decrease relates to the composition and timing of business activities, particularly incinerator construction, reflected at the end of each period. The reduction from December 31, 2013 forms part of the reduction in Cash and cash equivalents discussed above.
Deferred revenue and deposits	184,876	The increase relates to differences in the amount and timing of deposits received in respect of incinerator sales orders which were to be delivered subsequent to the respective reporting dates.

INVESTED CAPITAL

Consolidated invested capital charged to the Company's non-current asset categories of $1,345,756 in the six months ended June 30, 2014 is comprised of payments for modifications to a unit in the rental fleet ($3,850), payments to acquire a new service vehicle ($38,096), payments for new tools for the Grande Prairie location ($5,697), payments for upgraded engineering drawings for incinerators ($5,225), payments to move a Company trailer to and from the establishment where engineering drawings were developed ($7,460) and payments to acquire computer hardware and software and office equipment ($26,941). Also included are payments in the Company's subsidiary, ClearPower, in the period for engineering work to refine the design of the prototype waste heat to power generator to enable the Company to achieve commercial status ($257,777). In addition, the Company invested $1,000,710 to acquire 100% of the outstanding shares of ClearPower.

Capital of $90,270 was invested in the first six months of 2013 to acquire two new service vehicles and a welding machine to enhance the capabilities at the Grande Prairie facility.

During the first six months of 2014, Questor also invested $3,436,325 (2013 - $1,486,736) in the fabrication of incinerators for sales and rental purposes which costs were charged to Inventory - work in progress or Cost of sales.

LIQUIDITY AND CAPITAL RESOURCES

Questor historically has used debt and equity financing to the extent that funds generated from operations, cash balances and deposits received from customers in respect of a sale were insufficient to fund capital expenditures and working capital changes. At this time, Questor does not reasonably expect any presently known trend or uncertainty to affect the Company's ability to access its anticipated sources of cash. The Company further expects that 2014 cash generated from operations and current cash deposit amounts will be sufficient to meet budgeted operating requirements and anticipated capital requirements.

Cash Flows

(Stated in Canadian dollars unless otherwise noted)

For the six months ended June 30	**2014**	2013	Increase (decrease)
Cash and cash equivalents at the beginning of period	**$ 7,323,303**	$ 4,405,624	$ 2,917,679
Cash provided by (used in):			
Operating activities	**(449,988)**	1,391,304	(1,841,292)
Investing activities	**(1,345,755)**	(85,270)	(1,260,485)
Financing activities	**101,425**	32,250	69,175
Effect of exchange rate changes on cash	**6,585**	(18,476)	25,061
Cash and cash equivalents at end of the period	**$ 5,635,570**	$ 5,725,432	$ (89,862)

Operating Activities

Net cash used in operating activities in the six months ended June 30, 2014 was $449,988 compared to net cash provided by operating activities of $1,391,304 in the corresponding period of 2013. Net cash provided by operations before movements in working capital was 117 percent better in the six month period ended June 30, 2014 when compared to the same period of the prior year due to the increases in sales and rental revenues and improved margins. However, the impact of movements in working capital was quite different between the two periods. Accounts receivable collections during the six months ended June 30, 2013 were in excess of sales in the period due to the timing of billings and payments, resulting in a net positive impact on cash. In the first six months of 2014, the Company billed 45 percent of the year's sales in the final month of the period, and with collection terms being net 30 days, the bulk of the cash was received after the close of the reporting period. The Company also had more incinerators in fabrication throughout the current period when compared to the same period of the prior year, the impact of which is a comparatively higher utilization of cash in the current year.

Working Capital

(Stated in Canadian dollars unless otherwise noted)

As at	**June 30 2014**	December 31 2013	Increase (decrease)
Current assets	**13,396,703**	12,747,848	648,855
Current liabilities	**2,449,028**	2,689,144	(240,116)
Working capital	**10,947,675**	10,058,704	888,971
Current ratio	**5.5**	4.7	0.8

Investing Activities

Cash used in investing activities in the six months ended June 30, 2014 is $1,345,755 compared to $85,270 in the same period of 2013. The investing activities consisted of expenditures and dispositions as described in the Invested Capital section of this MD&A.

Financing Activities

The Company's financing activities in the six month periods ended June 30, 2014 and 2013 were restricted to the receipt of cash from employees on the exercise of stock options.

Capital Resources

The Company believes that its cash deposits and Net cash provided by operations will provide sufficient capital resources and liquidity to fund existing operations and anticipated capital requirements in 2014.

As at June 30, 2014, the Company had cash and cash equivalents of $5,635,570 as compared to cash and cash equivalents of $7,323,303 at December 31, 2013. The foreign currency composition of the cash balances is described in note 4 to the unaudited condensed consolidated financial statements as at and for the three and six month periods ended June 30, 2014. The use of cash during the first six months of 2014 is described in the Financial Position and Liquidity and Capital Resources sections of this MD&A.

The credit facilities to which the Company has access are described in note 10 to the audited annual financial statements as at and for the year ended December 31, 2013. As of the date of this MD&A, no amounts were drawn against these facilities.

All of the borrowing facilities from the chartered bank have financial tests and other covenants customary for these types of facilities. At the end of each fiscal quarter the Company's debt-to-tangible-net-worth must be less than 2.5 and the Company's working capital ratio must be greater than 1.25. At the end of each fiscal year, Questor's debt service coverage ratio must be in excess of 1.25. Questor was in compliance with these covenants at December 31, 2013 and at the end of each fiscal quarter in 2013 and in 2014 to date.

Contractual Obligations and Commitments

The contractual obligations and commitments to which the Company is subject are described in note 23 to the Company's audited financial statements for the year ended December 31, 2013.

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 financial statements at the end of each reporting period approximate their fair value due to their short period to maturity. The carrying value of short-term borrowings would approximate the fair value as they generally bear interest at a floating rate as described in note 10 to the Company's audited annual financial statements as at and for the year ended December 31, 2013. The carrying value of long-term borrowings would also approximate fair value as the fair value of long-term borrowings is estimated using discounted cash flows based on current rates of interest. At June 30, 2014 and December 31, 2013, there were no short-term or long-term borrowings outstanding. The Company did not hold or issue any derivative financial instruments during 2013 or in 2014 to date.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. At June 30, 2014 and December 31, 2013, there was no impairment required on any of the financial assets of the Company other than an allowance for doubtful accounts provision more fully described in note 22 to the Company's audited annual financial statements as at and for the year ended December 31, 2013.

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. These risks are described in note 22 to the Company's audited annual financial statements as at and for the year ended December 31, 2013.

BUSINESS CONDITIONS AND RISK MANAGEMENT

The Company is exposed to a number of business risks with the potential to affect financial performance as detailed in the Company's 2013 MD&A available on SEDAR and on the Company's website. Since December 31, 2013, there have been no material changes to the uncertainties and risk factors facing Questor aside from the technology risk associated with finalization of the design of the ClearPower waste heat to power generation systems.

TRANSACTIONS WITH RELATED PARTIES

The Company's transactions with third parties are described in note 15 to the Company's unaudited condensed consolidated financial statements as at and for the three and six month periods ended June 30, 2014.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company's obligations under guarantees are not recognized in the financial statements but are disclosed. At June 30, 2014 and December 31, 2013, the Company had not entered into any off-balance-sheet arrangements other than those noted in the Contractual Obligations and Commitments section of this MD&A.

SHARE CAPITAL

The following table presents the common shares and share options issued and outstanding at:

As at	**August 27 2014**	**June 30 2014**	December 31 2013
Shares issued and outstanding	**25,814,870**	**25,529,870**	25,232,370
Share options outstanding	**1,205,500**	**1,490,500**	1,400,000
Share options exercisable	**155,000**	**440,000**	425,000

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's unaudited condensed consolidated financial statements are based on International Financial Reporting Standards, as issued by the International Accounting Standards Board, and have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The accounting policies and methods of computation used in preparing the unaudited condensed financial statements are consistent with those used in the preparation of the audited 2013 annual financial statements.

In the application of the Company's accounting policies, the Company 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 financial statements, and the reported amounts of revenues and expenses for the periods presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The most critical of these policies with respect to estimates are those related to componentization and useful lives of property and equipment and intangible assets, impairment of non-financial assets, share-based payments and taxation. These critical judgements in applying accounting policy and other key sources of estimation uncertainty are described in note 2 to the audited financial statements as at and for the year ended December 31, 2013.

CHANGES IN ACCOUNTING POLICIES

As of January 1, 2014, the Company adopted new IFRS standards and amendments in accordance with the transitional provisions of each standard. A brief description of each new standard and its impact on the Company's financial statements follows:

IAS 32, Financial Instruments Presentation – in December 2011, the IASB issued amendments to address inconsistencies when applying the offsetting criteria outlined in this standard. These amendments clarify certain required criteria be met in order to permit the offsetting of financial assets and financial liabilities.

IAS 36, Impairment of Assets - amended in May 2013 to limit the situations in which disclosure of the recoverable amount of Cash Generating Units (CGU) is required and provides greater clarity to the disclosure requirements applicable when an impairment loss has been recognized or reversed in the period.

IFRIC 21, Levies - clarifies that an entity is obligated to record a liability at the time in which the activity that triggers the levy took place and should not be recognized before the specified minimum threshold to trigger that levy has been met. The interpretation clarifies that a levy liability is accrued prospectively only if the activity that triggers the payment occurs over a period of time.

The adoption of these amendments or interpretations did not have a material impact on the interim financial statements.

NON-IFRS FINANCIAL MEASURES

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

Gross Profit

(Stated in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
For the	**2014**	2013	**2014**	2013
Gross profit	**2,545,152**	1,177,440	**3,987,693**	2,067,881
Add:				
Other income	**11,179**	2,296	**13,879**	6,972
Deduct:				
Administration expenses	**605,724**	497,657	**1,092,880**	851,207
Net foreign exchange losses (gains)	**34,047**	(47,437)	**(109,107)**	(92,434)
Depreciation of property and equipment	**13,973**	9,799	**25,938**	20,539
Amortization of intangible assets	**1,332**	304	**1,637**	609
Loss on disposition of property and equipment	**-**	347	**-**	347
Income tax expense	**506,932**	84,890	**794,151**	243,324
Exchange differences on translating foreign operations	**(8,235)**	-	**(6,585)**	-
Profit and total comprehensive income (IFRS financial measure)	**1,402,558**	634,176	**2,205,658**	1,051,261

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

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

(Stated in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
For the	**2014**	2013	**2014**	2013
EBITDA	**1,966,338**	797,589	**3,121,207**	1,453,810
Deduct:				
Depreciation of property and equipment (including amount in cost of sales)	**63,751**	78,219	**129,346**	158,616
Amortization of intangible assets	**1,332**	304	**1,637**	609
Income tax expense	**506,932**	84,890	**794,151**	243,324
Exchange differences on translating foreign operations	**(8,235)**	-	**(6,585)**	-
Profit and total comprehensive income (IFRS financial measure)	**1,402,558**	634,176	**2,202,658**	1,051,261

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

Cost of Sales as a Percent of Revenue
(Stated in Canadian dollars unless otherwise noted)

	Three months ended June 30		Six months ended June 30	
For the	**2014**	2013	**2014**	2013
Cost of sales (IFRS financial measure)	**1,957,499**	1,086,306	**3,730,395**	1,915,442
Revenue (IFRS financial measure)	**4,502,651**	2,263,746	**7,718,088**	3,983,323
Cost of sales as a percent of revenue	**43.5%**	48.0%	**48.3%**	48.1%

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

Cash Generated from Operations before Movements in Non-Cash Working Capital
(Stated in Canadian dollars)

For the six months ended June 30	**2014**	2013
Cash generated from operations before movements in non-cash working capital	**3,342,268**	1,541,412
Movements in non-cash working capital	**(3,045,341)**	(150,108)
Income taxes paid	**(746,915)**	-
Net cash generated from (used in) operating activities (IFRS financial measure)	**(449,988)**	1,391,304

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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