MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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 months ended June 30, 2008 compared to the three and six months ended June 30, 2007. This MD&A dated August 29, 2008 should be read in conjunction with the accompanying unaudited interim financial statements and notes thereto of Questor as at and for the three and six months ended June 30, 2008 and with the audited financial statements and MD&A contained in the Company's annual report for the year ended December 31, 2007.

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.

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

QUESTOR TECHNOLOGY INC.

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

FINANCIAL RESULTS

Questor's financial information and the related discussion of financial results in the MD&A are for the three-month and six-month periods ended June 30, 2008 and June 30, 2007.

Financial Results Summary
($ unless otherwise noted)

For the	Three months ended June 30 **2008**	Three months ended June 30 2007	Six months ended June 30 **2008**	Six months ended June 30 2007
Total revenue	**387,164**	330,059	**1,013,257**	1,289,707
Gross margin	**(27,278)**	(43)	**75,876**	419,023
EBITDA(1)	**(161,590)**	(154,524)	**(185,739)**	78,613
Income (loss) before interest expense and income taxes(1)	**(199,967)**	(190,142)	**(262,700)**	7,569
Net loss	**(169,877)**	(141,278)	**(234,925)**	(12,801)
Cash provided by (used in) operating activities	**(779,654)**	(1,316,714)	**(508,867)**	405,032
Funds used in operations(1)	**(263,327)**	(311,269)	**(259,495)**	(81,974)
Total assets	**5,703,009**	11,042,687	**5,703,009**	11,042,687
Long-term liabilities	**31,934**	34,217	**31,934**	34,217
Shares outstanding *(thousands)*(2)				
Basic	**23,795**	23,757	**23,795**	23,708
Diluted	**23,795**	23,757	**23,795**	23,708
Net income (loss) per share – Basic	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.00)
Net income (loss) per share – Diluted	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.00)

(1) *Includes non-GAAP financial measures. Please see discussion in the Non-GAAP Financial Measures section of this MD&A.*
(2) *Weighted average.*

Discussion of Financial Results for the Three Months Ended June 30, 2008

The net loss for the three months ended June 30, 2008 was $169,877 or a loss of $0.007 per share, compared to a net loss of $141,278, or a loss of $0.006 per share, for the three months ended June 30, 2007. The net loss was primarily attributable to general and administrative expense increases, foreign exchange losses and higher income tax expense, partially offset by higher total revenue and lower direct costs and interest expense.

Total revenue for second quarter 2008 was $387,164 compared to $330,059 for the same period in 2007. Revenue increased as a result of differences in the incinerator sales mix quarter-over-quarter of $88,720, government assistance received in the form of a Scientific Research and Experimental Development ("SR&ED") investment tax credit of $77,508 and slightly higher combustion services revenue of $1,097. These favourable variances were then partially offset by lower incinerator rental revenue of $99,724 and decreased interest income of $11,135 due to lower interest rates in second quarter 2008, further compounded by a strengthening of the Canadian dollar relative to the currencies in which the interest-generating funds are held. Questor's accounting policy is that revenue is recognized only upon product delivery or performance of services. Consequently, while the utilization of the incinerator fleet was relatively comparable for each of the three-month periods, certain of the rental contracts commencing in second quarter 2008 were not completed until early July, thereby delaying revenue recognition until then. As well, approximately $610,000 of revenue attributable to sales orders occurring in second quarter 2008 has not yet been reflected in the results as delivery will not occur until the latter half of 2008, at which time the revenue will be recognized. The incinerator sales order status is described in more detail in the Outlook section of this MD&A.

For the three months ended June 30, 2008, the Company reported a gross margin deficit of $27,278 compared to a gross margin deficit of $43 for the same period of 2007. Direct costs of $224,633 in second quarter 2008 were lower by $81,940 compared to second quarter 2007. This variance is primarily due to the direct costs associated with differences in the incinerator sales mix and the variable direct costs associated with incinerator rentals and, to a lesser extent, combustion services. The margin is somewhat distorted by the net gain realized on the disposition of assets as this was effectively an incinerator sale but is included in Other Revenue rather than operating revenue.

General and administrative expense was $320,642 for the three months ended June 30, 2008 compared to $225,670 for the three months ended June 30, 2007. The $94,972 increase was principally attributable to higher employee costs, inclusive of non-cash share-based compensation expense, of $77,418, consulting fees of $38,955, research and development expenditures of $14,616, minimum lease payments for office space of $14,167 and regulatory compliance costs of $6,252, partially offset $55,194 of costs incurred in second quarter 2007 for which the corresponding costs in 2008 will not be incurred until third quarter.

Foreign exchange losses of $31,619 were recorded in second quarter 2008 compared to a foreign exchange gain of $21,256 in the same period of 2007. The foreign exchange losses arose from cash and transactions denominated in foreign currencies, principally in United States dollars, which weakened during second quarter 2008 relative to the Canadian dollar.

Depreciation and amortization expense for the three months ended June 30, 2008 was $38,377 compared to $35,618 in the same period of 2007. Depreciation expense of $28,140 and $26,404 for the quarters ended June 30, 2008 and 2007, respectively, relating to rental incinerators, service vehicles and equipment has been included in direct costs. Depreciation expense increased quarter-over-quarter as a result of additions to property and equipment during the latter part of 2007 and first half of 2008.

Interest expense for the three months ended June 30, 2008 was $4,680 compared to $8,456 for the same period in 2007. In second quarter 2007, the amount of interest-bearing debt, the time period during which it was outstanding and the interest rate were all higher than those same parameters applicable to debt drawn during second quarter 2008, thereby elevating interest expense in the prior period.

Income tax expense for second quarter 2008 is comprised of current income tax expense of $37,711 and a non-cash future income tax recovery of $72,481 compared to a non-cash future income tax recovery of $57,320 in second quarter 2007. The future income tax recovery is higher in the three months ended June 30, 2008 as a result of lower taxable income in that period as compared to second quarter 2008. The current income tax expense recognized in second quarter 2008 arose from a revision to the estimated income taxes payable for 2007.

Discussion of Financial Results for the Six Months Ended June 30, 2008

The net loss for the six months ended June 30, 2008 was $234,925 or a loss of $0.01 per share, compared to a net loss of $12,801, or a loss of $0.001 per share, for the six months ended June 30, 2007. The net loss was primarily attributable to lower revenues coupled with higher general and administrative expenses, both of which were partially offset by foreign exchange gains and lower direct costs, income tax expense and interest expense.

Total revenue for the first half of 2008 was $1,013,257 compared to $1,289,707 for the same period in 2007. Revenue decreased principally as a result of differences in the incinerator sales volume and mix between the two periods of $65,486, lower utilization of the incinerator rental fleet in first quarter 2008 due to declining activity levels in the Western Canadian Sedimentary Basin and having an impact of $127,480, deferred revenue recognition for certain rental activities in second quarter 2008 and $67,410 fewer parts sales in conjunction with delivery of combustion services in first quarter 2008. These unfavourable variances were partially offset by government assistance received in the form of a Scientific Research and Experimental Development (“SR&ED”) investment tax credit of $77,508 in second quarter 2008. The Company’s accounting policy is to recognize revenue when the product has been delivered or the services have been performed. Consequently, approximately $1,773,000 of revenue attributable to sales orders received since the beginning of the year has not yet been reflected in the results as delivery will not occur until the latter half of 2008 and early 2009, at which time the revenue will be recognized. The incinerator sales order status is described in more detail in the Outlook section of this MD&A.

For the six months ended June 30, 2008, the Company reported a gross margin of $75,876 compared to a gross margin of $419,023 for the same period of 2007. Direct costs of $729,982 in the first half of 2008 were lower by $117,097 compared to the first half of 2007. This variance is primarily due to the direct costs associated with differences in the incinerator sales mix and the variable direct costs associated with incinerator rentals and, to a lesser extent, combustion services. The margin is somewhat distorted by the net gain realized on the disposition of assets as this was effectively an incinerator sale but is included in Other Revenue rather than operating revenue.

General and administrative expense was $626,936 for the six months ended June 30, 2008 compared to $445,000 for the six months ended June 30, 2007. The $181,936 increase was principally attributable to higher employee costs, inclusive of non-cash share-based compensation expense, of $138,644, consulting fees of $81,603, minimum lease payments for office space of $28,008 and research and development expenditures of $14,616, partially offset by $80,144 of costs incurred in the first six months of 2007 for which the corresponding costs in 2008 will not be incurred until third quarter..

Foreign exchange gains of $100,894 were recorded in the first half of 2008 compared to a foreign exchange gain of $28,170 in the same period of 2007. The foreign exchange gains arose from cash and transactions denominated in foreign currencies, principally in United States dollars, which strengthened, on average, during the first six months of 2008 relative to the Canadian dollar.

Depreciation and amortization expense for the six months ended June 30, 2008 was $76,961 compared to $71,044 in the same period of 2007. Depreciation expense of $57,028 and $52,815 for the quarters ended June 30, 2008 and 2007, respectively, relating to rental incinerators, service vehicles and equipment has been included in direct costs. Depreciation expense was higher in the first half of 2008 compared to the same period in 2007 as a result of additions to property and equipment during the latter half of 2007 and first six months of 2008.

Interest expense for the six months ended June 30, 2008 was $5,505 compared to $14,970 for the same period in 2007. In the first half of 2007, the amount of interest-bearing debt, the time period during which it was outstanding and the interest rate were all higher than those same parameters applicable to debt drawn during the same period of 2008, thereby elevating interest expense in the prior period.

Income tax expense for the first half of 2008 is comprised of current income tax expense of $37,711 and a non-cash future income tax recovery of $70,991 compared to a non-cash future income tax expense of $5,400 in the first six months of 2007. The future income tax recovery in 2008 arose as a result of lower taxable income for the year-to-date as compared to the same period of 2007 and the anticipated deferral of tax pools given the taxable income status. The current income tax expense recognized in second quarter 2008 was the result of a revision to the estimated income taxes payable for 2007.

OUTLOOK

An early spring break-up, coupled with heavy rainfall, into late May hindered the movement of heavy equipment and curtailed access to well and facility sites. The limited access to sites reduced Questor's opportunity to capitalize on the increased oil and gas industry activity levels in the second quarter, resulting in sub-optimal utilization of the rental incinerator fleet and delivery delays for incinerator units intended for permanent sites. These weather-related impacts typically affect Questor's second quarter results.

Notwithstanding the historically lower activity levels during the first half of this year, the continued favourable spot and forward prices for crude oil and natural gas are anticipated to stimulate capital expenditures by industry, thereby strengthening activity levels for the third and fourth quarters of 2008. The Company's overall outlook is positively related to the industry's activities.

In particular, the demand for the Company's products and services in the United States ("U.S.") market remains strong for the foreseeable future as evidenced by the heightened oil and gas development activity and the introduction of demanding environmental regulations. Questor's strategic relationship with Natco Group Inc. is providing a strong base upon which to capitalize on the U.S. market opportunity. Questor's technology provides a practical means for clients to meet the more stringent emission and air quality regulations.

The Company recently completed commissioning of the waste gas incineration units in China. The units are running in parallel, combusting 600,000 m3/d of over 20 percent acid gas. The success of this project firmly establishes Questor as an industry leader in the handling of critically sour gas and complex applications for clients who want to adopt best practices in an economic and environmentally responsible manner. The Chinese client has provided Questor with a letter of acceptance, paving the way for additional project opportunities in that country.

Questor continues to experience an unprecedented volume of requests for proposals from both domestic and international parties stimulated, in part, by the changing regulations and by the Company's marketing efforts launched in late 2007. At the end of second quarter 2008, the Company had over $6.0 million of bids outstanding pending completion of the tender process and notification of the clients' purchase decision. In Questor's experience, the timing of final determination by the client varies significantly and may be as little as a few weeks and as long as several months.

To date the Company has received purchase orders for 16 incinerators of varying sizes. Three incinerators were delivered in the first and second quarters of 2008 resulting in $0.393 million of revenue. In accordance with Questor's accounting policy to recognize revenue when the product has been delivered (or the services have been performed), approximately $1.773 million of revenue will be recorded in income when the remaining 13 units are delivered. A summary of the sales orders status and estimated timing of delivery and revenue recognition at the date of this MD&A is presented below.

Incinerator Sales Orders and Delivery Status
(in $ thousands except number of units ordered)

				Estimated Timing of Delivery and Revenue Recognition				
Period when orders received	Number of units ordered	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Total 2008	Q1 2009	Total
Q1 2008	5	253	-	275	130	658	-	658
Q2 2008	4	-	140	407	203	750	-	750
Subsequent to Q2 2008	7	-	-	308	190	498	260	758
Total	16	253	140	990	523	1,906	260	2,166

The heightened social and political focus on air quality, health impacts thereto, global warming, greenhouse gas emissions, and climate change continues to create business growth opportunities for which Questor's technology is well positioned. Increasingly rigorous legislation is being implemented to address these environmental issues world-wide. The Company's incinerator technology is a viable alternative which allows clients to ensure compliance, promote environmental protection and foster public confidence while reducing costs and potentially generating greenhouse gas credits. Many of Questor's clients are adopting the Company's product technology as "best practice" to ensure compliance with the continuously evolving regulations.

Continuing to meet these regulatory standards and targets will require innovation and technological developments and presents a significant and growing market opportunity for Questor. The Company is committed to developing compatible air quality solutions to assist our clients' compliance with these provincial and federal climate change regulations. To that end, the Company continues to investigate the commercialization of waste heat recovery and its conversion to power. There is a great deal of interest in this solution especially in this era of energy efficiency and emission reductions. In collaboration with CrystaTech, Inc., the Company is also exploring the development of a cost effective solution to remove H_2S from waste gas streams and convert it to liquid sulphur which would reduce SO_2 emissions from the oil sands and other processing facilities. The Company hopes to identify pilot applications in 2008 to evaluate both technologies. Consistent with Questor's strategic plan for expansion, the Company is also pursuing alternate markets for application of its technology. The Company is currently in discussion with clients on a landfill project, a carbon capture opportunity and a gasification project.

In 2008 Questor is focused on contributing to the positive environmental, economic, and social performance of our customers with particular emphasis on North American markets and added focus on China, Europe, the Middle East, and Africa.

To increase its market awareness and grow incinerator rental and sales revenues, the Company will capitalize on existing strategic relationships and also develop new strategic alliances to maximize value and growth. The Company's Grande Prairie field office technicians will continue to provide exceptional combustion services to our clients and seek preferred vendor status in our niche. The Company was recently awarded three long-term combustion services contracts with large clients in the Grande Prairie region.

SUMMARY OF EIGHT MOST RECENTLY COMPLETED QUARTERS

(in $ thousands except per share amounts)	**Q2 2008**	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Total revenue	**387**	626	1,017	6,925	330	960	664	825
Gross margin	(27)	103	449	3,304	(0)	419	135	181
Income (loss) before interest expense and income taxes	**(200)**	(63)	148	2,844	(190)	198	(21)	114
Net income (loss)	**(170)**	(65)	106	1,884	(141)	128	700	107
Net income (loss) per share								
Basic	**(0.01)**	(0.00)	0.00	0.08	(0.01)	0.01	0.03	0.00
Diluted	**(0.01)**	(0.00)	0.00	0.08	(0.01)	0.01	0.03	0.00

A number of factors contribute to variations in the Company's quarterly results: customer capital spending as it is affected by oil and gas commodity prices, changes in legislation; seasonality; the Company's mix of product and service offerings; and the relative size of sales and the timing of revenue recognition.

FINANCIAL POSITION

The following table outlines the significant changes in the balance sheets of Questor from December 31, 2007 to June 30, 2008.

Balance sheet item	$ Increase (decrease)	Explanation
Cash	(206,471)	Cash decreased primarily as a result working capital funding requirements during the first six months of 2008, partially offset by a strengthening of foreign currencies, particularly United States dollars, relative to the Canadian dollar during the period.
Accounts receivable	96,418	Accounts receivable increased primarily due to an anticipated income tax refund of 2008 instalments and, to a lesser extent, the timing of revenue generating activities in the first half of 2008 compared to fourth quarter 2007.
Prepaid expenses and deposits	(58,055)	Prepaid expenses and deposits decreases principally reflect the recording of insurance expense during 2008.
Future income tax asset – current and non-current	89,991	Future income tax asset increases reflect the 2008 future income tax recovery and the tax-effected deferral of other tax pools and investment tax credits given the Company's taxable position at June 30, 2008.
Property and equipment	(77,348)	Property and equipment decreases principally reflect the disposition of assets in second quarter 2008 and depreciation recorded during 2008, partially offset by capital additions.
Accounts payable and accrued liabilities	(83,516)	Accounts payable decreased primarily due to the composition and timing of business reflected at the end of each period.
Short-term debt	219,559	Short-term debt increased principally as a result of working capital requirements during the first half of 2008.
Income and other taxes payable	(107,075)	Income and other taxes payable decreases reflect the payments of income tax, VAT and PST during the first six months of 2008.
Contributed surplus	74,518	Contributed surplus increased in conjunction with share-based compensation expense recorded in the period.

INVESTED CAPITAL

During second quarter 2008 Questor acquired $9,973 of capital assets, up from $1,243 in second quarter 2007. The increase was due to the acquisition of computer hardware, tools and marketing products. During second quarter 2008, the Company also sold an incinerator from the rental fleet with a net book value of $37,980. There were no dispositions of capital assets in the same period of 2007. In the three months ended June 30, 2008, the Company expensed the $9,373 of research and development costs capitalized in first quarter 2008.

During the first six months of 2008, the increase to plant and equipment was $23,094 compared to $5,047 for the same period of 2007. The asset acquisitions were predominantly computer hardware related. The only disposition occurring in the first six months of either 2008 or 2007 was the aforementioned incinerator sale in second quarter 2008. In first quarter 2007, the Company received a $1,415 cash rebate associated with an earlier vehicle purchase and this amount reduced the capital cost of the vehicle.

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. Should larger transactions require financing beyond existing sources, management believes equity and debt capital markets could be accessed to provide additional financing.

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 2008 funds generated from operations, current cash amounts and undrawn credit facilities will be sufficient to meet budgeted operating requirements and supply capital to finance the development of new clean air technologies or acquisitions.

Cash Flows

($ unless otherwise noted)

	Three months ended June 30		Six months ended June 30	
For the	**2008**	2007	**2008**	2007
Operating activities	**(779,654)**	(1,316,714)	**(508,867)**	405,032
Investing activities	**139,073**	(3,798)	**109,298**	(3,632)
Financing activities	**281,643**	99,851	**187,308**	220,096
Change in cash	**(358,938)**	(1,220,661)	**(212,261)**	621,496

Operating Activities

Cash used in operating activities was $779,654 in the second quarter of 2008, decreased from $1,316,714 in the same period of 2007. The decrease was primarily attributable to lower funds used in operations and a non-cash working capital deficit of $516,327 during second quarter 2008 compared to a non-cash working capital deficit of $1,005,445 during second quarter 2007.

Cash used in operating activities was $508,867 in the first six months of 2008 compared to cash provided by operating activities of $405,032 in the same period of 2007. The decrease was primarily attributable to lower operating results and the working capital deficit of $249,372 in the first six months of 2008 compared to a working capital surplus of $487,006 in the same period in 2007.

Working Capital
($ unless otherwise noted)

For the	**June 30 2008**	December 31 2007
Current assets	**4,321,784**	4,441,723
Current liabilities[(1)]	**619,381**	789,832
Working capital	**3,702,403**	3,651,891
Current ratio	**7.0**	5.6

(1) *Excludes short-term debt and current portion of long-term debt.*

Investing Activities

Cash provided by investing activities in the three months ended June 30, 2008 was $139,073 compared to cash used in investing activities of $3,798 in the same period of 2007. The investing activities comprised the disposition of an incinerator from the rental fleet and a reclassification of research and development costs, partially offset by expenditures for computer hardware, tools and marketing products as described in the Invested Capital section of this MD&A.

Cash provided by investing activities in the six months ended June 30, 2008 was $109,298 compared to cash used in investing activities of $3,632 same period of 2007. The investing activities comprised expenditures for and dispositions of plant and equipment as described in the Invested Capital section of this MD&A.

Financing Activities

Cash provided by financing activities in the three months ended June 30, 2008 was $281,643 compared to $99,851 in the same period of 2007. In second quarter 2008, the Company increased the balances outstanding on its credit facilities by $296,710 to fund working capital requirements and reduce long-term debt.

For the six months ended June 30, 2008 cash provided by financing activities was $187,308 compared to $220,096 for the same period in 2007. In each period, the Company reduced the credit facilities outstanding at that time by a similar magnitude.

Capital Resources

The Company believes that its access to debt and equity markets, unused bank credit facilities, cash deposits and its funds generated from operations will provide sufficient capital resources and liquidity to fund existing operations and certain acquisition and expansion opportunities in 2008.

At June 30, 2008, the Company had cash on deposit of $2,547,526 as compared to cash balances of $2,753,997 at December 31, 2007. The use of cash during the first six months of 2008 is described in the Financial Position section of this MD&A.

At June 30, 2008, the Company had total debt outstanding of $491,883, up from $304,575 at December 31, 2007. The long-term debt at June 30, 2008 was comprised of vehicle financing.

All of the borrowing facilities from the chartered bank have financial tests and other covenants customary for these types of facilities, which must be met at each quarter-end. At June 30, 2008 Questor was in compliance with these covenants.

In January 2008, the Company obtained a demand revolving foreign exchange facility established to a maximum of USD $630,000 to purchase foreign forward exchange contracts in order to hedge against currency fluctuations. This facility is secured by a general security agreement and an assignment of insurance proceeds. The availability of this facility is also subject to the Company meeting certain financial covenants. As of the date of this MD&A, no amounts have been drawn against this facility.

Contractual Obligations and Commitments

There have been no material changes to Questor's contractual obligations from those identified in the MD&A included in the Company's 2007 annual report, except for the execution of a lease agreement for office and warehouse space.

On August 26, 2008, Questor entered into a 60-month lease agreement for office and warehouse space in Grande Prairie, Alberta, Canada commencing October 1, 2008. The minimum lease payments will be $7,800 in 2008, $46,800 in each of 2009 through 2012, and $35,100 in 2013.

FINANCIAL INSTRUMENTS

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates and interest rates. Refer to Note 10 to the interim financial statements as at and for the three and six months ended June 30, 2008 for information pertaining to financial instruments and risk management thereto.

RISKS AND UNCERTAINTIES

The Company is exposed to a number of business risks with the potential to affect financial performance. There have been no material changes to Questor's financial and business risks identified in the MD&A included in the Company's 2007 annual report.

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company transacts with related parties. These transactions are recorded at their exchange amounts which approximate fair value. During the first and second quarters of 2008 the Company was not party to any related party transactions.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company is not party to any off-balance-sheet arrangements as at June 30, 2008.

SHARE CAPITAL

At June 30, 2008, the Company had 23,794,870 common shares. At June 30, 2008 there were 2,212,500 options outstanding with a weighted average exercise price of $0.30 per share and 825,000 options exercisable at a weighted average exercise price of $0.11 per share under the terms of the share option plan.

On April 14, 2008, the Company issued a grant of share options to an employee who is not an officer entitling the purchase of up to 75,000 common shares at $0.43 per share, exercisable for a period of five years and vesting in accordance with the provisions of the Company's share option plan.

On July 28, 2008, 12,500 options to purchase common shares were exercised at $0.10 per share.

On August 12, 2008, 25,000 options to purchase common shares at $0.10 per share were forfeited. None of the options forfeited were exercisable at the time.

CHANGES IN ACCOUNTING POLICIES

2008 Changes

Effective January 1, 2008 the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook accounting requirements for Section 1535 "Capital Disclosures", Section 3031 "Inventories", Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation". In accordance with the transitional provisions for these new standards, these policies were adopted prospectively and without restatement of prior periods.

Refer to Note 2 to the interim financial statements as at and for the three and six months ended June 30, 2008 for information pertaining to these accounting changes and the impact of their adoption on the Company's financial statements.

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In May 2007, the CICA Accounting Standards Board ("AcSB") published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards ("IFRS") into Canadian GAAP". The AcSB plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with IFRS over a transition period that will end with the adoption of IFRS. The AcSB announced on February 13, 2008 that the changeover date from Canadian GAAP to IFRS is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011. Questor has not yet determined the impact the transition to IFRS will have to the Company's results of operations, financial position and disclosures.

Goodwill and Intangible Assets
In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". The purpose of this Section is to provide more specific guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. The Section harmonizes Canadian standards with International Financial Reporting Standards and applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, these new Sections are effective for the Company beginning January 1, 2009. Questor has not yet determined the impact this new Section will have on the Company's results of operations and financial position.

SIGNIFICANT ACCOUNTING POLICIES

Questor's significant accounting policies remain unchanged from December 31, 2007 except as disclosed in the notes to the interim financial statements as at and for the three and six months ended June 30, 2008. For further information regarding these policies refer to the notes to the interim financial statements as at and for the three and six months ended June 30, 2008 and to the audited financial statements in Questor's 2007 annual report.

CRITICAL ACCOUNTING ESTIMATES

Since a determination of the value of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the Company's interim financial statements requires the use of estimates and assumptions which have been made using careful judgment. Questor's significant accounting policies are described in the notes to the 2007 audited financial statements included in the Company's 2007 annual report. Certain of these policies involve critical accounting estimates as a result of the requirement to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. Questor's critical accounting estimates are shared-based compensation expense, depreciation and amortization expense, asset impairment assessment and future tax liability.

NON-GAAP FINANCIAL MEASURES

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

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)
($ unless otherwise noted)

For the		Three months ended June 30 **2008**	2007	Six months ended June 30 **2008**	2007
EBITDA		**(161,590)**	(154,524)	**(185,739)**	78,613
Deduct:	Depreciation and amortization expense	**38,377**	35,618	**76,961**	71,044
	Interest expense	**4,680**	8,456	**5,505**	14,970
	Income tax expense (recovery)	**(34,770)**	(57,320)	**(33,280)**	5,400
Net loss (GAAP financial measure)		**(169,877)**	(141,278)	**(234,925)**	(12,801)

EBITDA is 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 Statements of Income, Comprehensive Income and Deficit and is defined as gross margin plus other revenue less general and administrative expense and foreign exchange losses (gains).

Income (Loss) Before Interest Expense and Income Taxes
($ unless otherwise noted)

For the		Three months ended June 30 **2008**	2007	Six months ended June 30 **2008**	2007
Income (loss) before interest expense and income taxes		**(199,967)**	(190,142)	**(262,700)**	7,569
Deduct:	Interest expense	**4,680**	8,456	**5,505**	14,970
	Income tax expense (recovery)	**(34,770)**	(57,320)	**(33,280)**	5,400
Net loss (GAAP financial measure)		**(169,877)**	(141,278)	**(234,925)**	(12,801)

Income (loss) before interest expense and income taxes is a measure of the Company's operating profitability generated by the Company's principal business activities prior to how these activities are financed or results are taxed. Income (loss) before interest expense and income taxes is calculated from the Statements of Income, Comprehensive Income and Deficit and is defined as gross margin plus other revenue less general and administrative expense, foreign exchange losses (gains) and depreciation and amortization.

Funds Generated From (Used In) Operations
($ unless otherwise noted)

For the	Three months ended June 30 **2008**	2007	Six months ended June 30 **2008**	2007
Funds used in operations	**(263,327)**	(311,269)	**(259,495)**	(81,974)
Add: Net change in non-cash working capital	**(516,327)**	(1,005,445)	**(249,372)**	487,006
Cash provided by (used in) operating activities (GAAP financial measure)	**(779,654)**	(1,316,714)	**(508,867)**	405,032

Funds generated from (used in) operations is used to assist management and investors in analyzing operating performance, after interest and taxes, without regard to changes in the Company's non-cash working capital in the period. Funds generated from (used in) operations as presented should not be viewed as an alternative to cash provided by (used in) operating activities, or other cash flow measures calculated in accordance with GAAP. Funds generated from (used in) operations is calculated from the Statements of Cash Flows and is defined as cash provided by (used in) operating activities before changes in non-cash working capital.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

On November 23, 2007, the Alberta Securities Commission and the securities commissions in the other jurisdictions in which Questor is registered, exempted Venture Issuers from certifying disclosure controls and procedures as well as internal controls over financial reporting as of December 31, 2007, and thereafter. Since Questor is a Venture Issuer it is now required to file "basic certificates", which it has done for the interim period ended June 30, 2008.

The Company is cognizant of the impact that good internal controls have with regards to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation. The Company will continue 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 President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary as appropriate, to allow timely decisions and actions regarding required disclosure. The Company will also endeavour 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.