
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management 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 months ended March 31, 2011 compared to the three months ended March 31, 2010.

This MD&A dated June 28, 2011 should be read in conjunction with the accompanying unaudited condensed financial statements and notes thereto of Questor as at and for the three months ended March 31, 2011 and with the audited financial statements and MD&A contained in the Company's annual report for the year ended December 31, 2010. The unaudited condensed financial statements (including comparatives) are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These are the Company's first interim financial statements prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, ("IAS 34") and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. The audited financial statements for the year ended December 31, 2010 were prepared in accordance with previous Canadian Generally Accepted Accounting Principles ("GAAP"). An explanation of how the transition from previous Canadian GAAP to IFRS has affected the reported financial position, financial performance and cash flows of the Company is set out in note 22 to the Company's unaudited condensed financial statements as at and for the three months ended March 31, 2011. Questor's Board of Directors and Audit and Governance Committee have reviewed and approved the March 31, 2011 unaudited condensed financial statements and related MD&A.

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 Information 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 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, 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-related oilfield 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 customers. Questor is recognized for its particular expertise in the combustion of sour gas (H₂S). While the Company's current customer base is primarily in the oil and gas industry, this 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".

Financial Highlights Summary – First Quarter 2011

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010	Increase (decrease)
Revenue ⁽¹⁾	899,980	489,629	410,351
Gross profit ⁽²⁾	297,612	150,409	147,203
EBITDA ⁽²⁾	(100,476)	(165,045)	64,569
Loss	119,541	163,448	(43,907)
Loss per share – Basic and diluted	\$ 0.005	\$ 0.007	\$ (0.002)
Cost of sales as a percent of revenue ^{(2) (3)}	66.8%	69.2%	(2.4)%
Cash used in operations before movements in working capital ⁽²⁾	44,565	91,479	(46,914)
Total assets	6,718,502	6,073,528	644,974
Non-current liabilities	100,655	55,072	45,583
Shares outstanding – Basic and diluted ⁽⁴⁾	24,707,370	24,007,370	700,000

(1) Includes loss on disposal of property and equipment and other revenue.

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

(3) Revenue excludes loss on disposal of property and equipment and other revenue.

(4) Weighted average.

Financial Highlights Summary - Quarterly

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

	2011 ⁽¹⁾		2010 ⁽¹⁾		2009 ⁽¹⁾			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue ⁽²⁾	900	2,205	1,987	1,161	490	846	719	1,229
Gross profit ⁽³⁾	298	966	422	466	150	268	235	370
EBITDA ⁽³⁾	(100)	572	162	291	(165)	(53)	(131)	95
Profit (loss)	(120)	370	66	172	(163)	(67)	(139)	21
Profit (loss) per share – Basic and diluted	(0.01)	0.02	0.00	0.01	(0.01)	(0.00)	(0.01)	0.00

(1) Figures presented for 2011 and 2010 have been prepared in accordance with IFRS. Figures presented for 2009 have been prepared in accordance with Canadian GAAP prior to IFRS transition.

(2) Includes loss on disposal of property and equipment and other revenue.

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

A number of factors contribute to variations in the Company's quarterly results: 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, the relative size of sales, the currency in which the sales are transacted and the timing of revenue recognition.

FINANCIAL RESULTS ANALYSIS

Questor's financial information and the related discussion of financial results are for the three months ended March 31, 2011 and 2010. Figures for the three months ended March 31, 2010 have been prepared in accordance with IFRS and are restated from those reported previously under Canadian GAAP.

Loss

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010	Increase (decrease)
Loss	119,541	163,448	(43,907)
Per basic and diluted share	\$ 0.005	\$ 0.007	\$ (0.002)

The loss for the three months ended March 31, 2011 is \$119,541 (\$0.005 per basic share) compared to a loss of \$163,448 (\$0.007 per basic share) for the three months ended March 31, 2010. On a comparative basis, the profit increase of \$43,907 is primarily attributable to higher incinerator sales and services revenues and lower net foreign exchange losses. Partially offsetting these impacts is reduced incinerator rental revenue and combustion services activity, a smaller income tax recovery and higher administration expenses.

Revenue

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010	Increase (decrease)
Sale of goods	528,774	157,726	371,048
Rendering of services			
Incinerator rental income	162,350	221,300	(58,950)
Incinerator and combustion services	206,752	109,091	97,661
	897,876	488,117	409,759
Loss on disposal of property and equipment	(1,613)	-	(1,613)
Other revenue			
Interest income	-	21	(21)
Aggregate of immaterial items	3,717	1,491	2,226
Revenue	899,980	489,629	410,351

Revenue increased by nearly 84% in the three-month period ended March 31, 2011 compared to the same period in 2010 as a result of differences to the volume and mix of incinerators sold and, to a lesser extent, increased provision of incinerator services. Partially offsetting this favourable variance is reduced combustion services activity and utilization and rate differences in the incinerator rental and services mix primarily resulting from the expiration of a long-term rental agreement.

Cost of sales

(Stated in Canadian dollars unless otherwise noted)

			Increase (decrease)
For the three months ended March 31	2011	2010	
Cost of sales	600,264	337,708	262,556

Cost of sales is higher in the first three months of 2011 compared to the same period of 2010. This variance is due primarily to higher revenue, with some impact from the sales and services mix. Cost of sales as a percent of revenue (excluding other revenue and loss on disposal of property and equipment) for the three months ended March 31, 2011 is 67 percent compared to 69 percent for the three months ended March 31, 2010. Cost of sales as a percent of revenue has generally fallen within a relatively narrow range but there will be variation because of differences in the margins associated with Questor's various operations and the level of fixed costs incurred regardless of revenues generated in the period.

Administration expenses

(Stated in Canadian dollars unless otherwise noted)

			Increase (decrease)
For the three months ended March 31	2011	2010	
Employee costs	166,412	138,990	27,422
Share-based payments	14,049	20,996	(6,947)
Consultants and contractors	82,220	34,155	48,065
Marketing/business development	13,883	8,078	5,805
Office costs	38,172	37,949	223
Corporate/regulatory compliance	66,261	55,314	10,947
Other	3,272	1,842	1,430
Administration expenses	384,269	297,324	86,945

Administration expense increased in first quarter 2011 compared to first quarter 2010 as a result of higher employee costs due to salary changes and a bonus accrual recorded in first quarter 2011, the impact of fluctuations in the level of staffing and external IFRS resources as it relates to consultants and contractors costs, increased business development activities, higher audit costs due to IFRS transition and the advent of director's fees. Partially offsetting the unfavourable variance is lower share-based payments in the three months ended March 31, 2011.

Net foreign exchange losses

(Stated in Canadian dollars unless otherwise noted)

			Increase (decrease)
For the three months ended March 31	2011	2010	
Realized	263	38	225
Unrealized	38,024	47,257	(9,233)
Net foreign exchange losses	38,287	47,295	(9,008)

Net foreign exchange losses were recorded in each of the three-month periods ended March 31, 2011 and 2010 because the Canadian dollar strengthened during each quarter thereby negatively impacting the value of cash and transactions denominated in United States dollars. In addition, higher cash balances were held in

United States dollars in first quarter 2011 compared to the same period in 2010, further impacting the level of non-cash foreign exchange losses experienced.

Research and development costs

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010	Increase (decrease)
Research and development costs	20,968	16,698	4,270

Research and development costs for the three months ended March 31, 2011 were higher than such costs in the same period of 2010 due to the incremental activity associated with the testing of a water vaporization prototype intended for commercial application later in the year.

Depreciation of property and equipment

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010	Increase (decrease)
Depreciation included in cost of sales	43,332	44,351	(1,019)
Depreciation included in expenses	2,888	2,921	(33)
Depreciation of property and equipment	46,220	47,272	(1,052)

Depreciation of property and equipment for the three months ended March 31, 2011 is slightly lower than the depreciation in the corresponding period of 2010 due to the impact of a declining balance depreciation methodology applicable to assets for which only minor capital additions occurred in 2010 and first quarter 2011.

Amortization of intangible assets

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010	Increase (decrease)
Amortization of intangible assets	305	4,010	(3,705)

Amortization of intangible assets for first quarter 2011 is lower than the same period in 2010 as the intangible development costs were fully amortized in early 2010.

Finance costs

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010	Increase (decrease)
Short-term borrowings	-	-	-
Long-term borrowings	-	504	(504)
Finance costs	-	504	(504)

The interest on long-term borrowings in first quarter 2010 relates to vehicle financing which was fully repaid in September 2010. The Company made no draws on its revolving demand operating loan in either of the three-month periods ended March 31, 2011 and 2010 which would otherwise have given rise to interest on short-term borrowings.

Income tax income

(Stated in Canadian dollars unless otherwise noted)

			Increase (decrease)
For the three months ended March 31	2011	2010	
Current income tax	-	-	-
Deferred income tax	27,460	53,383	(25,923)
Income tax income	27,460	53,383	(25,923)

An income tax recovery of \$27,460 for the first three months of 2011 is reflective of a loss before tax of \$147,001 as compared to an income tax recovery of \$53,383 on a loss before tax of \$216,831 for the same period of 2010.

The level of income tax recovery relative to the loss before tax in each of the three months ended March 31, 2011 and 2010 is due to permanent differences between the accounting and tax basis of assets and liabilities and the effect of changes in tax rates.

OUTLOOK

The outlook for Questor and the oil field service sector generally has not changed significantly from the discussion provided in the Company's 2010 annual report. Crude oil prices have remained strong and natural gas prices flat resulting in drilling activity increases with an emphasis on shale gas targets and oil and liquids rich plays. Both of these development areas create opportunities for application of Questor's clean air technology to address landowner concerns with emissions and visibility of operations, particularly in relation to processing and well testing. It is, however, typical for oil field services demand to lag drilling completions by approximately five to six months; meaning the benefit to Questor of these industry activity levels will not begin to materialize until the latter half of 2011.

In Alberta, producers have allocated significant capital funds to oil sands development projects and this trend is expected to continue. In first quarter 2011, the Company installed incinerator equipment to handle the low heat content sour waste gas emissions from a heavy oil in situ combustion project. The incinerator unit is functioning as expected and delivering substantial cost savings to the customer by way of significant reductions in fuel gas usage as compared to flaring. That application has established the prospective use of Questor's products in oil sands development and demonstrated the considerable energy savings possible while providing an effective and efficient means to destroy high nitrogen and carbon dioxide content sour gas. The Company recently received an incinerator sales order for a steam assist gravity drainage ("SAGD") oil sand project, marking the first application of the Company's technology in this growing market segment.

International interest in Questor's clean combustion technologies and products is rising. The Company is currently engaged in technical discussions for new onshore and offshore projects in Mexico, the Middle East, Russia, China and Europe. Questor recently hosted a delegation from a prospective customer in Mexico who wished to view the Company's products in operation. The success of this field visit was a critical step in the progression of this future business relationship.

At December 31, 2010, the Company had confirmed incinerator sales orders of \$0.5 million. All of these orders were delivered and the revenue recognized in first quarter 2011. Since the beginning of 2011, confirmed incinerator sales orders for an additional \$1.3 million have been received. Based on current customer-determined delivery schedules, approximately \$0.7 million of the associated revenue will be recorded during second quarter 2011 and the balance in third quarter 2011. The value of these sales orders, in combination with actual and projected incinerator rentals and combustion services revenues to the end of second quarter 2011, is on pace with, and slightly ahead of, the revenue results attained in the first six months of 2010. While the total volume, mix and delivery timing of incinerator sales orders for 2011 is not reasonably determinable, improving activity levels in industry and the extent of ongoing inquiries and bid/proposals outstanding at this time indicate the Company will achieve positive results for the year.

The development of energy efficiency solutions will expand the Company's markets and differentiate Questor from its competitors. As disclosed previously, the Company, in partnership with a large oilfield compression company in the United States, is supplying incineration and heat recovery equipment to a carbon emissions reduction and energy efficiency demonstration project in Colorado. The project involves the use of waste heat generated from clean combustion of waste gases to vaporize produced water thereby eliminating the current, expensive practice of trucking the produced water to a disposal facility. The incineration and heat recovery equipment was delivered to the customer site in second quarter 2011 and will be commissioned during the last week of June 2011. The application is targeted to commence operations shortly thereafter. A second initiative to advance the development of waste heat to power technology is underway. The Company is collaborating with a major Canadian university and a leading Organic Rankine Cycle generator manufacturer to research and develop this application with a view to having a demonstration site operational by year-end.

In addition to the continued sales focus and product development efforts, Questor is implementing short-term and long-term utilization plans for the rental incinerator fleet to provide a base level of activity and revenue. The Company added approximately \$0.5 million of new equipment to its rental incinerator fleet during second quarter 2011 to accommodate demand for combustion of flow rates in excess of the capacity of units currently comprising the fleet. At present, Questor has approximately 30 percent of its equipment committed under term contracts and is in negotiations with potential customers in the United States to commit a further 30 percent commencing in third quarter 2011. In recent weeks, rental incinerator units have been deployed to the United States and European markets for shale gas well testing activities.

The Company remains focused on achieving profitability and long-term growth. The market's understanding of the economic benefits of clean combustion is evolving and the awareness of Questor's incineration products and technologies is building. The Company is positioning to capitalize on the existing and emerging market opportunities for its core products and new air quality solutions under development.

FINANCIAL POSITION

The following table outlines the significant changes in the statement of financial position of Questor from December 31, 2010 to March 31, 2011.

Statement of financial position item	Increase (decrease)	Explanation
Trade and other receivables	(853,284)	The decrease is due primarily to the timing and quantum of revenue generating activities in first quarter 2011 compared to fourth quarter 2010 and to the effect of transactions denominated in foreign currencies during a period when the Canadian dollar strengthened relative to the foreign currencies.
Current tax assets	110,082	The increase reflects the anticipation of an income tax refund pertaining to 2010 and a GST refund arising in first quarter 2011.
Inventories	85,131	The increase is related to the higher number of incinerator units being fabricated and the differences as to composition and stage of construction relative to those units, partially offset by fewer incinerator units in finished goods as at March 31, 2011.
Property and equipment	60,469	The increase is a reflection of capital additions in 2011 as detailed in the Invested Capital section of this MD&A, partially offset by depreciation recorded during first quarter 2011 and the disposition of a service vehicle in March 2011.

Statement of financial position item	Increase (decrease)	Explanation
Trade payables, accrued liabilities and provisions	(227,440)	The decrease relates to the composition and timing of business activities, particularly the stage of incinerator construction, reflected at the end of each period.
Current tax liabilities	(217,338)	The decrease is attributable to 2010 income tax instalment payments and, to a lesser extent, payment of provincial sales tax and GST payables.
Deferred revenue and deposits	(114,541)	The decrease relates to revenue recognition of the deposits received in respect of incinerator sales orders which were delivered during first quarter 2011.

INVESTED CAPITAL

During first quarter 2011, the Company expended \$111,502 for leasehold improvements, additions to and modifications of the incinerator rental fleet and computer hardware acquisitions. During the same period of 2010, Questor acquired \$3,714 of plant and equipment consisting primarily of computer hardware and software.

In first quarter 2011, the Company disposed of a service vehicle with a net book value of \$4,813 for proceeds of \$3,200, resulting in a net loss on disposition of \$1,613. This amount is recognized in profit and included in loss on disposal of property and equipment.

The Company did not dispose of any assets during 2010.

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 2011 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 three months ended March 31	2011	2010	Increase (decrease)
Cash at beginning of period	3,995,669	3,080,997	914,672
Cash provided by (used in):			
Operating activities	91,418	201,656	(110,238)
Investing activities	(108,302)	(3,714)	(104,588)
Financing activities	-	(5,581)	5,581
Effect of exchange rate changes on cash	(28,649)	(44,935)	16,286
Cash at end of period	3,950,136	3,228,423	721,713

Operating Activities

Net cash generated by operating activities is \$91,418 in the first three months of 2011 compared to \$201,656 in the same period of 2010. The \$110,238 decrease is attributable primarily to income tax instalments of \$215,000 in first quarter 2011, partially offset by a non-cash working capital contribution of \$350,983 in first quarter 2011 compared to a non-cash working capital contribution of \$293,135 in first quarter 2010 and by higher operating results in the three months ended March 31, 2011.

Working Capital

(Stated in Canadian dollars unless otherwise noted)

As at	March 31 2011	Decem ber 31 2010	Increa se (decrease)
Current assets	5,540,491	6,290,701	(750,210)
Current liabilities	670,733	1,230,052	(559,319)
Working capital	4,869,758	5,060,649	(190,891)
Current ratio	8.3	5.1	3.2

Investing Activities

Cash used in investing activities in the three months ended March 31, 2011 is \$108,302 compared to cash used in investing activities of \$3,714 in the same period of 2010. The investing activities comprised expenditures as described in the Invested Capital section of this MD&A and the impact of capital amounts in accounts payable from prior periods.

Financing Activities

The Company did not use any cash in financing activities during the three months ended March 31, 2011 compared to cash used in financing activities of \$5,581 in first quarter 2010. In 2010, the Company reduced the long-term borrowings outstanding by \$5,077 and paid associated financing costs of \$504.

Capital Resources

The Company believes that its cash deposits and cash generated from operations will provide sufficient capital resources and liquidity to fund existing operations and anticipated capital requirements in 2011.

As at March 31, 2011, the Company has cash on deposit of \$3,950,136 as compared to \$3,995,669 at December 31, 2010. The foreign currency composition of the cash balances is described in note 8 to the unaudited condensed financial statements as at and for the three months ended March 31, 2011. The use of cash during first quarter 2011 is described in the Financial Position and Liquidity and Capital Resources sections of this MD&A.

As at March 31, 2011, the Company has no borrowings outstanding having fully repaid the vehicle financing in September 2010 as scheduled. The credit facilities to which the Company has access is described in note 7 to the audited annual financial statements as at and for the year ended December 31, 2010. As of the date of this MD&A, no amounts have been drawn against these facilities other than the USD \$47,000 performance guarantee described in the Contractual Obligations and Commitments section below.

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, 2010 and at the end of each fiscal quarter in 2010 and in 2011 to date.

Contractual Obligations and Commitments

As at March 31, 2011, the Company has the following contractual obligations and commitments:

Performance guarantee

On December 30, 2009, the Company issued a USD \$47,000 irrevocable letter of guarantee under its revolving foreign letter of credit/letter of guarantee facility as security to the beneficiary during the fabrication and warranty periods associated with an incinerator sale. This letter of guarantee expires on November 12, 2011.

Leasehold improvements

On December 14, 2010, Questor executed an offer to lease new corporate office space in Calgary, Alberta, Canada for a six-year term commencing May 1, 2011. The offer contemplates Questor expending a minimum of \$128,125 for leasehold improvements prior to commencement of the term for which the Company will receive gross rent abatement for 26 months. The future minimum lease payments, inclusive of estimated operating costs, pursuant to this office space lease are included in the lease agreement commitments table below. In first quarter 2011, the Company incurred leasehold improvement costs of \$87,250.

Lease agreements

Future minimum lease payments under operating leases for office spaces expiring September 30, 2013 and April 30, 2017, inclusive of estimated operating costs, are as follows:

April 1 to December 31, 2011	\$	45,960
2012		61,280
		119,581
2013		147,241
		147,241
2014		147,241
		147,241
2015		147,241
		147,241
2016		147,241
		147,241
2017		49,081
	\$	717,625

Non-Derivative Financial Liabilities

At March 31, 2011 and December 31, 2010, the Company had the following contractual maturities with respect to non-derivative financial liabilities:

For the	Maturity	Three months ended March 31 2011	Year ended December 31 2010
Trade payables, accrued liabilities and provisions	Within 1 year	\$ 625,381	\$ 852,821
Current tax liabilities	Within 1 year	13,408	230,746
		\$ 638,789	\$ 1,083,567

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

FINANCIAL INSTRUMENTS

The Company's financial instruments consist, from time to time, of cash and cash equivalents, 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 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 approximates the fair value as it bears interest at a floating interest rate as described in note 7 to the Company's audited financial statements for the year ended December 31, 2010. The carrying value of long-term borrowings also approximates fair value as the fair value of long-term borrowings is estimated using discounted cash flows based on current rates of interest. At March 31, 2011 and December 31, 2010, there were no short-term or long-term borrowings outstanding. The Company did not hold or issue any derivative financial instruments during 2010 or in the three months ended March 31, 2011.

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 March 31, 2011 and at December 31, 2010, there was no impairment required on any of the financial assets of the Company.

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. These risks are described in note 18 to the unaudited condensed financial statements as at and for the three months ended March 31, 2011.

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 MD&A included in the Company's 2010 annual report. Since December 31, 2010, there have been no material changes to the uncertainties and risk factors facing Questor.

TRANSACTIONS WITH RELATED PARTIES

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

In the three-month period ended March 31, 2011, Questor transacted with a corporation owned by a director of the Company. The Company purchased vehicle repairs and maintenance services at market value for \$4,885 (before HST). Questor also transacted with a corporation owned by a member of the key management personnel of the Company for provision of consulting services to the Company at market value for \$37,450 (before GST). At March 31, 2011, Questor owed \$18,401 (before GST/HST) to these related parties. There were no other amounts owing from or to related parties included in trade and other receivables and in trade payables, accrued liabilities and provisions at March 31, 2011.

In the three-month period ended March 31, 2010, the Company transacted with two member of the key management personnel. One individual owns a corporation from whom the Company has purchased consulting services at market value for \$37,420 (before GST). The other individual supplied rental equipment at market value for \$1,105 (before GST) to Questor. At March 31, 2010, Questor owed \$14,315 (before GST/HST) to these related parties. There were no other amounts owing from or to related parties included in trade and other receivables and in trade payables, accrued liabilities and provisions at March 31, 2010.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company's obligations under guarantees are not recognized in the financial statements but are disclosed. At March 31, 2011 and December 31, 2010, the Company had not entered into any off-balance-sheet arrangements other than those noted in the Contractual Obligations and Commitments section of this MD&A.

SHARE CAPITAL

The following table indicates the common shares and share options issued and outstanding at December 31, 2010, March 31, 2011 and June 27, 2011.

As at	June 27 2011	March 31 2011	Decem ber 31 2010
Shares issued and outstanding	24,707,370	24,707,370	24,707,370
Share options outstanding	1,600,000	1,425,000	1,425,000
Share options exercisable	856,250	712,500	712,500

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The unaudited condensed financial statements (including comparatives) have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These are the Company’s first interim financial statements prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, (“IAS 34”). The unaudited condensed financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that the Company expects to be applicable at that time. These accounting policies are disclosed in note 3 to the unaudited condensed financial statements as at and for the three months ended March 31, 2011.

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 4 to the unaudited condensed financial statements as at and for the three months ended March 31, 2011.

CHANGES IN ACCOUNTING POLICIES

2011 Changes

Refer to notes 2, 3, 4 and 22 to the unaudited condensed financial statements as at and for the three months ended March 31, 2011 for detailed discussion of the Company’s compliance with IFRS.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The Company has reviewed new and revised accounting pronouncements issued by the IASB and the IFRIC that are not yet effective for the year ended December 31, 2011 and determined that the following may have an impact on the Company:

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* were issued in October 2010 and are effective for annual periods beginning on or after July 1, 2011. The amended standard introduces new disclosure requirements associated with the transfer and securitization of financial assets.

IFRS 9 *Financial Instruments* was issued in November 2009 and effective for annual reporting periods beginning on or after January 1, 2013, with earlier adoption permitted. In October 2010, IASB published amendments to IFRS 9. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value through profit and loss.

The Company does not expect these amended and new standards will have a material impact on the financial statements when adopted.

NON-IFRS FINANCIAL MEASURES

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

Gross Profit

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010
Gross profit	297,612	150,409
Add: Other revenue	3,717	1,512
Income tax income	27,460	53,383
Deduct: Administration expense	384,269	297,324
Net foreign exchange losses	38,287	47,295
Research and development costs	20,968	16,698
Depreciation of property and equipment	2,888	2,921
Amortization of intangible assets	305	4,010
Loss on disposal of property and equipment	1,613	-
Finance costs	-	504
Loss (IFRS financial measure)	(119,541)	(163,448)

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

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

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010
EBITDA	(100,476)	(165,045)
Add: Income tax income	27,460	53,383
Deduct: Depreciation of property and equipment (including portion in cost of sales)	46,220	47,272
Amortization of intangible assets	305	4,010
Financing costs	-	504
Loss (IFRS financial measure)	(119,541)	(163,448)

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 (Loss) and is defined as gross profit plus other revenue less administration expenses, net foreign exchange losses (gains), research and development costs and loss on disposal of property and equipment.

Cost of Sales as a Percent of Revenue

(Stated in Canadian dollars unless otherwise noted)

For the three months ended March 31	2011	2010
Cost of sales (IFRS financial measure)	600,264	337,708
Revenue (IFRS financial measure)	897,876	488,117
Cost of sales as a percent of revenue)	66.8%	69.2%

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 costs and how these activities are financed or results are taxed. Cost of sales as a percent of revenue is calculated from the Statement of Comprehensive Income (Loss) and is defined as cost of sales divided by revenue where revenue does not include other revenue or gains (losses) on disposal of property and equipment.

Cash Generated From Operations Before Movements in Working Capital

(\$ unless otherwise noted)

For the three months ended March 31	2011	2010
Cash generated from operations before movements in working capital	(44,565)	(91,479)
Movements in working capital	350,983	293,135
Income taxes paid	(215,000)	-
Net cash generated by operating activities (IFRS financial measure)	91,418	201,656

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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