
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 months ended March 31, 2010 compared to the three months ended March 31, 2009. This MD&A dated May 27, 2010 should be read in conjunction with the accompanying unaudited interim financial statements and notes thereto of Questor as at and for the three months ended March 31, 2010 and with the audited financial statements and MD&A contained in the Company's annual report for the year ended December 31, 2009.

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 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.

QUESTOR TECHNOLOGY INC.

Questor is an international environmental oilfield services 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-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.

FINANCIAL RESULTS

Questor's financial information and the related discussion of financial results in the MD&A are for the three months ended March 31, 2010 and March 31, 2009.

Financial Results Summary

(\$ unless otherwise noted)

For the three months ended March 31	2010	2009
Total revenue	489,628	1,163,196
Gross margin ⁽¹⁾	160,542	443,975
EBITDA ⁽¹⁾	(177,125)	155,159
Income (loss) before interest expense and income tax expense ⁽¹⁾	(216,327)	116,758
Net income (loss)	(165,020)	82,689
Funds generated from operations ⁽¹⁾	(91,985)	205,840
Total assets	6,261,906	6,627,142
Long-term liabilities	60,554	45,262
Shares outstanding (thousands) ⁽²⁾		
Basic	24,007	24,007
Diluted	24,007	24,385
Net income (loss) per share – Basic and diluted	\$ (0.007)	\$ 0.003

(1) Non-GAAP financial measure. 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 March 31, 2010

Net income

(\$ unless otherwise noted)

For the three months ended March 31	2010	2009	\$ Change
Net income (loss)	(165,020)	82,689	(247,709)
Per basic and diluted share	(0.007)	0.003	(0.010)

The net loss for the three months ended March 31, 2010 is \$165,020 (\$0.007 per basic share) compared to net income of \$82,689 (\$0.003 per basic share) for the three months ended March 31, 2009. On a comparative basis, the net income decrease of \$247,709 is primarily attributable to lower incinerator sales and rental incinerator services revenues and the foreign exchange loss recorded in first quarter 2010 compared to the foreign exchange gain recognized in the same quarter of 2009. Partially offsetting these impacts were lower general and administrative and income tax expenses in first quarter 2010.

Total revenue*(\$ unless otherwise noted)*

For the three months ended March 31	2010	2009	\$ Change
Incinerator sales and services	89,326	572,592	(483,267)
Incinerator rentals and services	245,626	439,270	(193,643)
Combustion services	153,165	146,006	7,159
Other revenue	1,511	5,328	(3,817)
Total revenue	489,628	1,163,196	(673,568)

Total revenue decreased 58 percent in the three-month period ended March 31, 2010 compared to the same period in 2009. The value of the sales orders backlog at the beginning of each year was similar, as was the value of new sales orders received during the first quarter of each year. However, the delivery timing for 2010 orders will occur later in the year as compared to the 2009 orders. Consequently, fewer incinerator sales occurred in first quarter 2010. Incinerator rentals and services revenue declined in first quarter 2010 compared to the same period in 2009 primarily as a result of lower utilization in first quarter 2010 by key customers who conducted more modest well testing programs in the areas where Questor is active.

Direct costs*(\$ unless otherwise noted)*

For the three months ended March 31	2010	2009	\$ Change
Direct costs	327,575	713,893	(386,318)

Direct costs are considerably lower in first quarter 2010 compared to the same period of 2009. This variance is due primarily to the relationship between variable direct costs and the sales and services mix in each of the quarters. Direct costs as a percent of revenue (excluding other revenue) for the three months ended March 31, 2010 and the three months ended March 31, 2009 is 67 percent and 62 percent, respectively. Direct costs 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.

General and administrative expense*(\$ unless otherwise noted)*

For the three months ended March 31	2010	2009	\$ Change
Employee costs	138,990	154,329	(15,339)
Share-based compensation	31,129	31,783	(654)
Consultants and contractors	34,155	60,086	(25,931)
Marketing/business development	8,078	24,192	(16,114)
Office costs	37,949	38,362	(413)
Corporate/regulatory compliance	55,314	44,526	10,788
Research and development	16,698	8,335	8,363
Other	1,842	3,014	(1,172)
General and administrative expense	324,155	364,627	(40,472)

General and administrative expense decreased by 11 percent in first quarter 2010 compared to first quarter 2009 as a result of lower travel costs associated with business development activities and lower consultants and contractors expenses and employee costs due to a decreased level of staffing period-over-period. Partially offsetting these favourable variances is higher corporate insurance costs and research and development expenses.

Foreign exchange loss (gain)
(\$ unless otherwise noted)

For the three months ended March 31	2010	2009	\$ Change
Realized	38	(84,224)	84,262
Unrealized	47,257	41,885	5,372
Foreign exchange loss (gain)	47,295	(42,339)	89,634

Foreign exchange losses are recorded in the three months ended March 31, 2010 whereas foreign exchange gains were recorded in the same period in 2009. The Canadian dollar strengthened during first quarter 2010 thereby negatively impacting the value of cash and transactions denominated in United States dollars and resulting in a foreign exchange loss. In the first three months of 2009, the Canadian dollar weakened relative to the United States dollar giving rise to a foreign exchange gain for the period.

Depreciation and amortization
(\$ unless otherwise noted)

For the three months ended March 31	2010	2009	\$ Change
Depreciation included in direct costs	32,272	28,144	4,128
Included in expenses:			
Depreciation	2,920	3,007	(87)
Amortization of intangibles	4,010	7,250	(3,240)
Depreciation and amortization expense	6,930	10,257	(3,327)
Total depreciation and amortization	39,202	38,401	801

Depreciation expense for the three months ended March 31, 2010 is higher than the corresponding period in 2009 due to the depreciation of capital additions occurring in 2009 and 2010. Amortization expense in first quarter 2010 is lower than the same period in 2009 as the intangible development costs were fully amortized in early 2010.

Interest expense
(\$ unless otherwise noted)

For the three months ended March 31	2010	2009	\$ Change
Short-term debt	-	322	(322)
Long-term debt	504	504	-
Interest expense	504	826	(322)

Interest expense in first quarter 2010 is slightly lower than the corresponding period in 2009 because the Company made no draws on its revolving demand operating loan which would otherwise give rise to interest on short-term debt. The interest on long-term debt relates to vehicle financing.

Income tax expense (recovery)*(\$ unless otherwise noted)*

For the three months ended March 31	2010	2009	\$ Change
Current income tax	-	28,579	(28,579)
Future income tax	(51,811)	4,664	(56,475)
Income tax expense (recovery)	(51,811)	33,243	(85,054)

An income tax recovery of \$51,811 for the first three months of 2010 is reflective of a loss before income tax expense of \$216,831 as compared to an income tax expense of \$33,243 on income before income tax expense of \$115,932 for the same period of 2009.

OUTLOOK

Oil and gas industry activity levels are advancing cautiously in the first part of 2010 in the wake of higher commodity prices and early signs of a general economic recovery. The industry's growing confidence in sustainable improvements to economic conditions has stimulated an increase to drilling activities worldwide. However, oilfield services participants are only beginning to benefit from the increased activity because of the five to six month lag typical for facility construction upon completion of drilling.

Questor is fully engaged in showcasing its product solutions and services to address requirements for emissions reductions, safety, energy efficiency and regulatory compliance. Questor's specialized technology allows companies to address unique operational and social considerations by reducing environmental impact and contributing to sustainable development. The value of outstanding bids/proposals currently stands in excess of \$41 million which is approximately \$10 million more than the value of bids outstanding at this time last year. There is a marked increase in the number and project size associated with requests for proposals from prospective customers outside of Canada. While the number and timing of projects for which Questor's proposal will be selected is not reasonably determinable, the continued stream of requests for proposal clearly demonstrates that market opportunities exist worldwide.

As at the date of this MD&A, the Company has a confirmed incinerator sales order backlog of \$2.0 million. Based on the current customer-specified delivery schedule, approximately \$0.8 million will be delivered in second quarter 2010 and the balance in third quarter 2010. On the basis of incinerator sales revenues recorded in first quarter 2010 and these pending amounts to be realized in the next six months, the Company's incinerator sales revenue is currently projected to be slightly ahead of the comparable revenue results reported as at September 30, 2009.

Oil and gas operations are increasingly subject to more stringent regulation particularly as it relates to greenhouse gas emissions and air quality standards. Some jurisdictions internationally and certain Canadian provinces have enacted regulation to eliminate routine flaring over time. In those jurisdictions, incineration is recognized as a practical solution to assist in achieving this outcome. The Company is seeking to capitalize on these favourable conditions for incinerator sales and rentals by developing and leveraging strategic market relationships in those geographical areas. To that end, the Company is working with an engineering and construction company in Saskatchewan to address the opportunity for an alternative solution to flaring in the Bakken play where there is heightened drilling activity despite the lack of infrastructure and a low natural gas price environment. The Company has also established a marketing arrangement with Homer's Oilfield Services Ltd., an oilfield safety services company headquartered in Dawson Creek, British Columbia, Canada, to increase penetration of Questor's incinerator rental services in the Peace River region of British Columbia and the Alberta Peace Country area. In addition, Questor has been approached by a major international oil and gas producer to develop a proposal which would assist them in attaining their zero flaring objectives for onshore and offshore operations.

Testing of the heat recovery module prototype, designed as part of the Company's efforts to develop a process to convert waste gas to heat and/or power, continues. The information garnered from this testing will identify the possible need for design modifications and enable Questor to properly size commercial applications for heat redistribution as well as provide accurate data in designing for power generation projects. The Company is in the final stages of establishing a pilot project, in partnership with a large oilfield compression company in the United States, to utilize this developing technology to demonstrate carbon emission reduction and energy efficiency best practice advancements. The Company believes the eventual commercialization of this technology will differentiate Questor in the marketplace as waste heat recovery opportunities are viewed as one of the more cost effective ways to reduce greenhouse gas emissions and lower operating costs. Such opportunities exist wherever waste gases are produced - the oil and gas industry, waste water treatment, landfills, bio-digesters and the gasification industry.

Notwithstanding the challenging operating conditions of the last several months, the Company has and continues to focus on sales and new product and market development while maintaining a strong balance sheet to better position for growth as the economic circumstances evolve. Over the course of 2010 and into 2011, Questor will endeavour to progress its strategic initiatives and achieve meaningful improvements to its profitability and growth. The Company is poised to capitalize on the longer-term growth opportunities due to its proprietary technology, recognized technical expertise, established customer base and markets and financial capacity.

SUMMARY OF EIGHT MOST RECENTLY COMPLETED QUARTERS

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(in \$ thousands except per share amounts)</i>	2010	2009	2009	2009	2009	2008	2008	2008
Total revenue	490	846	719	1,229	1,163	2,085	1,373	387
Gross margin	161	268	235	370	444	792	530	(27)
Income (loss) before interest expense and income tax expense	(216)	(96)	(171)	54	117	874	380	(200)
Net income (loss)	(165)	(67)	(139)	21	83	577	286	(170)
Net income (loss) per share								
Basic	(0.01)	(0.00)	(0.01)	0.00	0.00	0.03	0.01	(0.01)
Diluted	(0.01)	(0.00)	(0.01)	0.00	0.00	0.03	0.01	(0.01)

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 POSITION

The following table outlines the significant changes in the balance sheets of Questor from December 31, 2009 to March 31, 2010.

Balance sheet item	\$ Increase (decrease)	Explanation
Cash and cash equivalents	147,426	The increase is due primarily to the lower working capital funding requirements during first quarter 2010, partially offset by a weakening of foreign currencies relative to the Canadian dollar and funds used in operations. See also the discussion in the Liquidity and Capital Resources section of this MD&A.
Accounts receivable	(209,302)	The decrease is due primarily to the timing and quantum of revenue generating activities in first quarter 2010 compared to fourth quarter 2009 and the effect of transactions denominated in foreign currencies during a period when foreign currencies weakened relative to the Canadian dollar.
Inventory	114,246	The increase is related to the higher number of incinerator units in finished goods inventory at March 31, 2010 destined for delivery later in the year, partially offset by lower costs for incinerators under construction at March 31, 2010 relative to December 31, 2009.
Deferred revenue and deposits	108,602	The increase relates to deposits received when sales orders were placed in first quarter 2010 for incinerator units to be delivered later in the year.

INVESTED CAPITAL

During first quarter 2010 Questor acquired \$3,714 of plant and equipment consisting primarily of computer hardware and software. In the same period of 2009, property and equipment increased by \$94,279 due to additions to and modifications of the incinerator rental fleet and the acquisition of a service vehicle, supplemented by expenditures for tools and equipment and computer hardware and software.

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 2010 funds generated from operations and current cash amounts will be sufficient to meet budgeted operating requirements and anticipated capital requirements.

Cash Flows

(\$ unless otherwise noted)

For the three months ended March 31	2010	2009
Cash and cash equivalents, beginning of period	3,080,997	3,259,037
Cash provided by (used in):		
Operating activities	200,877	65,782
Investing activities	(3,439)	(70,520)
Financing activities	(5,077)	(9,883)
Effect of exchange rates on cash	(44,935)	(43,323)
Cash and cash equivalents, end of period	3,228,423	3,201,093

Operating Activities

Cash provided by operating activities is \$200,877 in the first three months of 2010 compared to \$65,782 in the same period of 2009. The \$135,095 increase is primarily attributable to a non-cash working capital contribution of \$292,862 in first quarter 2010 compared to a non-cash working capital deficit of \$140,058 in first quarter 2010, partially offset by lower operating results in the three months ended March 31, 2010.

Working Capital

(\$ unless otherwise noted)

As at	March 31 2010	December 31 2009
Current assets	4,863,187	4,838,793
Current liabilities ⁽¹⁾	702,226	568,106
Working capital	4,160,961	4,270,687
Current ratio	6.9	8.5

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

Investing Activities

Cash used in investing activities in the three months ended March 31, 2010 is \$3,439 compared to cash used in investing activities of \$70,520 in the same period of 2009. The investing activities comprised expenditures as described in the Invested Capital section of this MD&A and capital amounts in accounts payable from prior periods.

Financing Activities

Cash used in financing activities is \$5,077 in first quarter 2010 compared to \$9,883 in first quarter 2009. In each period, the Company reduced the long-term debt outstanding at that time.

Capital Resources

The Company believes that its cash deposits and funds generated from operations will provide sufficient capital resources and liquidity to fund existing operations and anticipated capital requirements in 2010.

As at March 31, 2010, the Company has cash on deposit of \$3,228,423 as compared to cash balances of \$3,080,997 at December 31, 2009. The foreign currency composition of the cash balances is described in Note 3 to the interim financial statements as at and for the three months ended March 31, 2010. The use of

cash during 2010 is described in the Financial Position and Liquidity and Capital Resources sections of this MD&A.

As at March 31, 2010, the Company has total debt outstanding of \$10,155, down from \$15,232 at December 31, 2009. The debt is comprised solely of vehicle financing and is scheduled to be fully repaid by September 2010.

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.

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 March 31, 2010 and at December 31, 2009.

The Company has a demand revolving foreign exchange facility established to a maximum of USD \$630,000 to purchase foreign forward exchange contracts in order to hedge against currency fluctuations. This facility is secured by a general security agreement and an assignment of insurance proceeds. The availability of this facility is also subject to the Company meeting certain financial covenants. 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 and commitments from those identified in the MD&A included in the Company's 2009 annual report.

FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

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 8 to the interim financial statements as at and for the three months ended March 31, 2010 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 2009 annual report.

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 February 2009 Questor acquired a service vehicle at market value for \$45,184 from a corporation owned by a director of the Company. There have been no related party transactions in 2010 thus far.

There were no amounts owing from or to related parties included in accounts receivable and accounts payable and accrued liabilities at March 31, 2010 or December 31, 2009.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company is not party to any off-balance-sheet arrangements as at March 31, 2010.

SHARE CAPITAL

The following table indicates the common shares and share options issued and outstanding at December 31, 2009, March 31, 2010 and May 27, 2010.

As at	May 27 2010	March 31 2010	December 31 2009
Shares issued and outstanding	24,082,370	24,007,370	24,007,370
Share options outstanding	2,400,000	2,175,000	2,175,000
Share options exercisable	1,237,500	1,293,750	1,293,750

SIGNIFICANT ACCOUNTING POLICIES

Questor's significant accounting policies remain unchanged from December 31, 2009 except as disclosed in the notes to the interim financial statements as at and for the three months ended March 31, 2010. For further information regarding these policies refer to the notes to the interim financial statements as at and for the three months ended March 31, 2010 and to the notes to the audited financial statements in Questor's 2009 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 2009 audited financial statements included in the Company's 2009 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 share-based compensation expense, depreciation and amortization expense, asset impairment assessment and income taxes.

CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. This Section is not expected to have any impact on the Company's results of operations, financial position and disclosures.

Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. These Sections are not expected to have any effect on the Company's results of operations financial position and disclosures.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. In February 2008, the AcSB confirmed transition timing for publicly accountable enterprises in Canada to adopt International Financial Reporting Standards (“IFRS”). Accordingly, the Company will be required to adopt IFRS on January 1, 2011, with restatement for comparative purposes of amounts reported by the Company for the fiscal year beginning January 1, 2010.

The Company’s transition project includes three phases:

Phase 1 – Diagnostic

This phase involved performing a high level review of the major differences between current Canadian generally accepted accounting principles (“GAAP”) and IFRS. The Company has completed the diagnostic phase and has determined that the key areas with the highest potential impact to the Company under IFRS financial reporting are:

- Property, plant and equipment;
- Exemptions under IFRS 1 - First time adoption of IFRS;
- Financial statement presentation and disclosures;
- Stock-based compensation;
- Asset impairments; and
- Income taxes.

Phase 2 – Evaluation and development

This phase consists of preparing an assessment of the impact of changes resulting from conversion to IFRS, including those changes to the Company’s information systems, internal controls and business processes and consequently the design and development of accounting policy and solutions necessary to effect the changes. The Company is currently working on this phase with an estimated completion date of early Q3 2010. The impact of IFRS on the Company’s financial statements is not reasonably determinable or estimable at this time.

Phase 3 – Implementation

This phase involves implementation of all changes approved in the evaluation and development phase prior to the transition date.

The transition project is being conducted by management and the Company has engaged external advisers to supplement internal resources where required. As the evaluation and development phase progresses, the Company will enter into discussions with its external auditors. IFRS training is occurring in conjunction with the transition work requiring familiarization of the standards as part of the impact assessment. Corporate governance over the project involves progress reporting to the Audit and Governance Committee.

In the period leading up to the transition date, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standards Board (“IASB”) may also continue to issue new accounting standards during the conversion. As a result, the final impact of IFRS adoption to the Company’s financial statements will only be measurable once all of the standards applicable at the conversion date are known.

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.

Gross Margin*(\$ unless otherwise noted)*

For the three months ended March 31	2010	2009
Gross margin	160,542	443,975
Add: Other revenue	1,511	5,328
Deduct: General and administrative expense	324,155	364,627
Foreign exchange loss (gain)	47,295	(42,339)
Depreciation and amortization expense	6,930	10,257
Interest expense	504	826
Income tax expense (recovery)	(51,811)	33,243
Net income (loss) (GAAP financial measure)	(165,020)	82,689

Gross margin 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 margin is calculated from the Statements of Income, Comprehensive Income and Retained Earnings (Deficit) and is defined as revenue less direct costs.

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

For the three months ended March 31	2010	2009
EBITDA	(177,125)	155,159
Deduct: Depreciation and amortization expense (including portion in direct costs)	39,202	38,401
Interest expense	504	826
Income tax expense (recovery)	(51,811)	33,243
Net income (loss) (GAAP financial measure)	(165,020)	82,689

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 Statements of Income, Comprehensive Income and Retained Earnings (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 Tax Expense*(\$ unless otherwise noted)*

For the three months ended March 31	2010	2009
Income (loss) before interest expense and income tax expense	(216,327)	116,758
Deduct: Interest expense	504	826
Income tax expense (recovery)	(51,811)	33,243
Net income (loss) (GAAP financial measure)	(165,020)	82,689

Income (loss) before interest expense and income tax expense 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 tax expense is calculated from the Statements of Income, Comprehensive Income and Retained Earnings (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 March 31	2010	2009
Funds generated from operations	(91,985)	205,840
Net change in non-cash working capital	292,862	(140,058)
Cash provided by operating activities (GAAP financial measure)	200,877	65,782

Funds generated from (used in) operations 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 (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 and foreign exchange loss (gain) on cash.

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.

SUBSEQUENT EVENTS

On April 26, 2010, subject to regulatory approval, the Company issued a grant of share options to select officers and employees entitling the purchase of up to 300,000 common shares at \$0.27 per share, exercisable for a period of five years and vesting in accordance with the provisions of the Company's share option plan.

On April 30, 2010, 75,000 options to purchase common shares were exercised at \$0.10 per share.