

---

## 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, 2010 compared to the three and six months ended June 30, 2009. This MD&A dated August 25, 2010 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, 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](http://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](http://www.sedar.com).*

### **QUESTOR TECHNOLOGY INC.**

Questor is an international environmental oilfield 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-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 (H<sub>2</sub>S). 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 and six months ended June 30, 2010 and June 30, 2009.

### Financial Results Summary

(\$ unless otherwise noted)

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Total revenue	<b>1,161,202</b>	1,228,584	<b>1,650,830</b>	2,391,780
Gross margin <sup>(1)</sup>	<b>475,812</b>	369,863	<b>636,354</b>	813,838
EBITDA <sup>(1)</sup>	<b>277,413</b>	94,532	<b>100,288</b>	249,692
Income before interest expense and income tax expense <sup>(1)</sup>	<b>242,061</b>	53,931	<b>25,734</b>	170,689
Net income	<b>167,156</b>	21,031	<b>2,136</b>	103,720
Funds generated from operations <sup>(1)</sup>	<b>128,881</b>	122,761	<b>36,896</b>	328,601
Total assets	<b>6,929,694</b>	6,434,159	<b>6,929,694</b>	6,434,159
Long-term liabilities	<b>87,698</b>	44,596	<b>87,698</b>	44,596
Shares outstanding (thousands) <sup>(2)</sup>				
Basic	<b>24,067</b>	24,007	<b>24,037</b>	24,007
Diluted	<b>24,603</b>	24,710	<b>24,615</b>	24,554
Net income per share – Basic and diluted	<b>\$ 0.007</b>	\$ 0.001	<b>\$ 0.000</b>	\$ 0.004

(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 and Six Months Ended June 30, 2010

#### Net income

(\$ unless otherwise noted)

For the	Three months ended June 30			Six months ended June 30		
	2010	2009	\$ Change	2010	2009	\$ Change
<b>Net income</b>	<b>167,156</b>	21,031	146,125	<b>2,136</b>	103,720	(101,584)
Per basic and diluted share	<b>0.007</b>	0.001	0.006	<b>0.000</b>	0.004	(0.004)

The net income for the three months ended June 30, 2010 is \$167,156 (\$0.007 per basic share) compared to net income of \$21,031 (\$0.001 per basic share) for the three months ended June 30, 2009. On a comparative basis, the net income increase of \$146,125 is primarily attributable to the higher margin sales and services revenue mix occurring in the three months ended June 30, 2010 and the foreign exchange gain recorded in second quarter 2010 compared to the foreign exchange loss recognized in the same period of 2009. Partially offsetting these impacts are higher income tax expense and lower other revenue in second quarter 2010.

The net income for the six months ended June 30, 2010 is \$2,136 (\$0.000 per basic share) compared to net income of \$103,720 (\$0.004 per basic share) for the six months ended June 30, 2009. The decrease in net income of \$101,584 is attributable to lower incinerator sales and other revenues, partially offset by higher foreign exchange gains and incinerator rentals and services margins and by lower general and administrative and income tax expenses in the first half of 2010.

**Total revenue**

(\$ unless otherwise noted)

For the	Three months ended June 30			Six months ended June 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Incinerator sales and services	<b>761,998</b>	932,382	(170,384)	<b>851,324</b>	1,504,974	(653,650)
Incinerator rentals and services	<b>302,265</b>	132,024	170,241	<b>547,891</b>	571,294	(23,403)
Combustion services	<b>96,307</b>	115,169	(18,862)	<b>249,472</b>	261,175	(11,703)
Other revenue	<b>632</b>	49,009	(48,377)	<b>2,143</b>	54,337	(52,194)
<b>Total revenue</b>	<b>1,161,202</b>	1,228,584	(67,382)	<b>1,650,830</b>	2,391,780	(740,950)

Total revenue decreased in the three month period ended June 30, 2010 compared to the same period in 2009 principally as a result of a lower volume and different mix of incinerator sales, fewer combustion parts sales and lower other revenue, partially offset by higher overall utilization and rate differences in the incinerator rentals and services mix. Other revenue is lower in second quarter 2010 compared to the same period in 2009 due to the receipt in second quarter 2009 of \$44,078 of government assistance in the form of a Scientific Research and Experimental Development (“SR&ED”) investment tax credit.

Total revenue decreased 31 percent in the six month period ended June 30, 2010 compared to the same period in 2009 primarily due to the lower volume of incinerator sales. 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 and second quarters 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 the first half of 2010. To a lesser degree, total revenue was also impacted by lower overall utilization of the incinerator rental fleet, fewer combustion parts sales and lower other revenue. Other revenue is lower principally as a result of the aforementioned receipt of an SR&ED investment tax credit in second quarter 2009.

**Direct costs**

(\$ unless otherwise noted)

For the	Three months ended June 30			Six months ended June 30		
	2010	2009	\$ Change	2010	2009	\$ Change
<b>Direct costs</b>	<b>684,758</b>	809,712	(124,954)	<b>1,012,333</b>	1,523,605	(511,272)

Direct costs are lower in both second quarter 2010 and for the six months ended June 30, 2010 compared to the same periods 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 and six months ended June 30, 2010 is 59 percent and 61 percent, respectively, compared to 69 percent and 65 percent for the three and six months ended June 30, 2009. 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 June 30			Six months ended June 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Employee costs	142,364	138,268	4,096	281,354	292,597	(11,243)
Share-based compensation	32,999	34,115	(1,116)	64,128	65,898	(1,770)
Consultants and contractors	30,115	47,152	(17,037)	64,270	107,238	(42,968)
Marketing/business development	20,371	7,188	13,183	28,449	31,380	(2,931)
Office costs	37,393	38,845	(1,452)	75,342	77,207	(1,865)
Corporate/regulatory compliance	60,599	56,202	4,397	115,913	100,728	15,185
Research and development	3,517	10,010	(6,493)	20,215	18,345	1,870
Other	1,545	1,812	(267)	3,387	4,826	(1,439)
<b>General and administrative expense</b>	<b>328,903</b>	<b>333,592</b>	<b>(4,689)</b>	<b>653,058</b>	<b>698,219</b>	<b>(45,161)</b>

General and administrative expense decreased modestly in second quarter 2010 compared to second quarter 2009 and is principally due to lower consultants and contractors expense, partially offset by higher travel and advertising costs associated with marketing/business development activities.

General and administrative expense decreased 6 percent in the first half of 2010 compared to the same period of 2009 as a result of lower consultants and contractors expenses and employee costs due to fluctuations in the level of staffing and associated rates of compensation period-over-period. Partially offsetting these favourable variances is higher corporate insurance costs.

**Foreign exchange loss (gain)**

(\$ unless otherwise noted)

For the	Three months ended June 30			Six months ended June 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Realized	80,714	26	80,688	80,752	(84,198)	164,950
Unrealized	(178,938)	20,954	(199,892)	(131,681)	62,839	(194,520)
<b>Foreign exchange loss (gain)</b>	<b>(98,224)</b>	<b>20,980</b>	<b>(119,204)</b>	<b>(50,929)</b>	<b>(21,359)</b>	<b>(29,570)</b>

Foreign exchange gains are recorded in the three months ended June 30, 2010 whereas foreign exchange losses were recorded in the same period of 2009. The Canadian dollar weakened during second quarter 2010 thereby positively impacting the value of cash and transactions denominated in United States dollars and resulting in a foreign exchange gain. In the second quarter of 2009, the Canadian dollar strengthened relative to the United States dollar giving rise to a foreign exchange loss for the period.

For the six months ended June 30, 2010, the foreign exchange gains are higher than those of the same period in 2009. The Canadian dollar experienced weakness relative to the United States dollar during the first six months of 2010 resulting in foreign exchange gains that were further accentuated by the significantly higher cash balances held in United States dollars in 2010 compared to 2009. Early in 2009 the Company realized a significant foreign exchange gain upon conversion of United States dollars to Canadian dollars. While the Canadian dollar strengthened during the first six months of 2009, the resultant foreign exchange losses only partially offset the earlier foreign exchange gain.

**Depreciation and amortization**

(\$ unless otherwise noted)

For the	Three months ended June 30			Six months ended June 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Depreciation included in direct costs	<b>31,648</b>	30,232	1,416	<b>63,920</b>	58,377	5,543
Included in expenses:						
Depreciation	<b>3,400</b>	3,119	281	<b>6,320</b>	6,126	194
Amortization of intangibles	<b>304</b>	7,250	(6,946)	<b>4,314</b>	14,500	(10,186)
Depreciation and amortization expense	<b>3,704</b>	10,369	(6,665)	<b>10,634</b>	20,626	(9,992)
<b>Total depreciation and amortization</b>	<b>35,352</b>	40,601	(5,249)	<b>74,554</b>	79,003	(4,449)

Depreciation expense and depreciation included in direct costs for the three and six months ended June 30, 2010 is higher than the corresponding periods in 2009 due to the depreciation of capital additions occurring in 2009 and 2010. Amortization expense for the three and six months ended June 30, 2010 is lower than the same periods in 2009 as the intangible development costs were fully amortized in early 2010.

**Interest expense**

(\$ unless otherwise noted)

For the	Three months ended June 30			Six months ended June 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Short-term debt	-	-	-	-	322	(322)
Long-term debt	<b>504</b>	504	-	<b>1,008</b>	1,008	-
<b>Interest expense</b>	<b>504</b>	504	-	<b>1,008</b>	1,330	(322)

Interest expense for the first six months of 2010 is slightly lower than the corresponding period in 2009 because the Company drew on its revolving demand operating loan in first quarter 2009 which gave rise to a small interest expense 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 June 30			Six months ended June 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Current income tax	<b>10,539</b>	33,532	(22,993)	<b>10,539</b>	62,111	(51,572)
Future income tax	<b>63,862</b>	(1,136)	64,998	<b>12,051</b>	3,528	8,523
<b>Income tax expense (recovery)</b>	<b>74,401</b>	32,396	42,005	<b>22,590</b>	65,639	(43,049)

An income tax expense of \$74,401 for second quarter 2010 is attributable to income before income tax expense of \$241,557 as compared to income tax expense of \$32,396 on income before income tax expense of \$53,427 for second quarter 2009.

For the six months ended June 30, 2010, the Company incurred an income tax expense of \$22,590 on income before income tax expense of \$24,726 as compared to an income tax expense of \$65,639 on income before income tax expense of \$169,359 for the same period of 2009.

---

The level of income tax expense relative to income before income tax expense for the six months ended June 30, 2010 is due to permanent differences between accounting and tax basis of assets and liabilities and the effect of change in tax rates.

## OUTLOOK

While general economic recovery remains somewhat uncertain, the industry has nevertheless responded to improving economic conditions by increasing drilling activities and capital investment. Questor's second quarter 2010 financial results benefited from the increased oil and gas industry activity levels in the first part of 2010. At the date of this MD&A, the Company has a confirmed incinerator sales order backlog of \$2.4 million. Based on the current customer-specified delivery schedule, approximately \$1.6 million will be delivered in third quarter 2010 and the balance in fourth quarter 2010. The combined value of the confirmed sales orders and total revenue generated in the first half of the year is already slightly in excess of 2009 total revenue results.

The environmental and social impact of the oil and gas industry has been a particular focus of late given the recent, highly-publicized offshore oil spill in the Gulf of Mexico and oil pipeline rupture in Michigan. The HBO Documentary Film presentation "Gasland" highlights public concerns as to oil and gas sector activities. This heightened attention and increasing public pressure for greater corporate responsibility for sustainable development may lead to tighter regulations. Prior to these recent events, there was already a trend to increasingly stringent regulation, particularly as it relates to air quality standards and greenhouse gas emissions. Some jurisdictions internationally and certain Canadian provinces have already enacted regulation to eliminate routine flaring over time. In those jurisdictions, incineration is recognized as a practical solution to assist in achieving this outcome. Questor's specialized technology, product solutions and services address requirements for emissions reductions, safety, energy efficiency and regulatory compliance.

The Company is capitalizing on these favourable conditions for incinerator sales and rentals by actively developing and leveraging strategic market relationships in those geographical areas with the highest opportunity. One of these market relationships has been instrumental to Questor's selection by a large North American natural gas producer for a short-term rental application in third quarter 2010. While efforts targeted at increasing short-term utilization of the rental incinerators are ongoing, approximately 25 percent of the fleet is now contracted to the end of the year. The value of outstanding bids/proposals currently stands in excess of \$41 million which is approximately \$9 million more than the value of bids outstanding at this time last year. While the number and timing of projects for which Questor's proposal will be selected is not reasonably determinable, the rising number of requests for proposal and the increasing complexity of the applications to which Questor's technology is sought is evidence of growing market awareness and brand recognition as to Questor's clean air technologies expertise.

A process for waste heat to be recovered from incineration is viewed as one of the more cost effective ways to reduce greenhouse gas emissions and lower operating costs. The opportunity to capture waste heat exists wherever waste gases are produced - the oil and gas industry, waste water treatment, landfills, bio-digesters and the gasification industry. Recognizing the market potential for this technology, the Company's efforts to develop a process to convert waste gas to heat and/or power continues. A dedicated test facility has been established at the Company's Grande Prairie location to progress the testing of the heat recovery module prototype. The purpose of these tests is to advance and optimize the design which will then enable Questor to properly size commercial applications for heat redistribution as well as provide accurate data in designing for power generation projects. In parallel with these testing activities, the Company, in partnership with a large oilfield compression company in the United States, is awaiting regulatory permit approvals to utilize this developing technology in a pilot project intended to demonstrate carbon emissions reduction and energy efficiency best practice advancements.

The Company 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. 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

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<i>(in \$ thousands except per share amounts)</i>	2010	2010	2009	2009	2009	2009	2008	2008
Total revenue	1,161	490	846	719	1,229	1,163	2,085	1,373
Gross margin	476	161	268	235	370	444	792	530
Income (loss) before interest expense and income tax expense	242	(216)	(96)	(171)	54	117	874	380
Net income (loss)	167	(165)	(67)	(139)	21	83	577	286
Net income (loss) per share								
Basic	0.01	(0.01)	(0.00)	(0.01)	0.00	0.00	0.03	0.01
Diluted	0.01	(0.01)	(0.00)	(0.01)	0.00	0.00	0.03	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 June 30, 2010.

Balance sheet item	\$ Increase (decrease)	Explanation
Accounts receivable	104,320	The increase is due primarily to the timing and quantum of revenue generating activities in second quarter 2010 compared to fourth quarter 2009 and the effect of transactions denominated in foreign currencies during a period when foreign currencies strengthened relative to the Canadian dollar.
Inventory	603,563	The increase is related to the higher number of incinerator units being fabricated for delivery later in the year and the stage of construction relative to work in progress at December 31, 2009.
Accounts payable and accrued liabilities	265,562	The increase relates to the composition and timing of business activities, particularly incinerator construction, reflected at the end of each period.
Deferred revenue and deposits	286,977	The increase reflects deposits received when sales orders were placed in the first half of 2010 for incinerator units to be delivered later in the year.

Balance sheet item	\$ Increase (decrease)	Explanation
Contributed surplus	62,528	The increase is due to share-based compensation expense, partially offset by the reclassification of contributed surplus to share capital upon exercise of share options in second quarter 2010.

## INVESTED CAPITAL

During second quarter 2010 Questor acquired \$25,762 of plant and equipment consisting primarily of modifications to certain of the incinerators in the rental fleet and the acquisition of computer software. In the same period of 2009, property and equipment increased by \$8,035 due to modifications to the incinerator rental fleet and expenditures for tools.

The majority of invested capital of \$29,476 in the six month period ended June 30, 2010 relates to modifications to certain of the incinerators in the rental fleet and the acquisition of computer hardware and software. During the first six months of 2009, the increase to plant and equipment was \$102,313 consisting of additions to and modification of the incinerator rental fleet and the acquisition of a service vehicle, supplemented by expenditures for tools 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 June 30			Six months ended June 30		
	2010	2009	Change \$	2010	2009	Change \$
Cash, beginning of period	<b>3,228,423</b>	3,201,093	27,330	<b>3,080,997</b>	3,259,037	(178,040)
Cash provided by (used in):						
Operating activities	<b>(335,519)</b>	(28,135)	(307,384)	<b>(134,642)</b>	37,647	(172,289)
Investing activities	<b>(24,921)</b>	(30,303)	5,382	<b>(28,360)</b>	(100,823)	72,463
Financing activities	<b>12,422</b>	(9,883)	22,305	<b>7,345</b>	(19,766)	27,111
Effect of exchange rates on cash	<b>176,035</b>	(24,945)	200,980	<b>131,100</b>	(68,268)	199,368
Cash, end of period	<b>3,056,440</b>	3,107,827	(51,387)	<b>3,056,440</b>	3,107,827	(51,387)

---

## Operating Activities

Cash used in operating activities is \$335,519 in the three month period ended June 30, 2010 compared to \$28,135 in the same period of 2009. The unfavourable variance of \$307,384 is primarily attributable to a non-cash working capital deficit of \$464,400 in second quarter 2010 compared to a non-cash working capital deficit of \$150,896 in second quarter 2009, partially offset by slightly higher operating results in the three months ended June 30, 2010.

Cash used in operating activities is \$134,642 in the six month period ended June 30, 2010 compared to cash provided by operating activities of \$37,647 in the same period of 2009. The decrease is primarily attributable to lower earnings to date in 2010, partially offset by a lower non-cash working capital deficit of \$171,538 in the six months ended June 30, 2010 compared to a non-cash working capital deficit of \$290,954 in the first half of 2009.

## Working Capital

(\$ unless otherwise noted)

As at	June 30 2010	December 31 2009
Current assets	5,540,565	4,838,793
Current liabilities <sup>(1)</sup>	1,121,843	568,106
Working capital	4,418,722	4,270,687
Current ratio	4.9	8.5

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

## Investing Activities

Cash used in investing activities in the three months and six months ended June 30, 2010 is \$24,921 and \$28,360, respectively, compared to \$30,303 and \$100,823, respectively, in the same periods 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 provided by financing activities is \$12,422 in second quarter 2010 compared to cash used in financing activities of \$9,883 in second quarter 2009. In each period, the Company reduced the long-term debt outstanding at that time; \$5,078 in the three months ended June 30, 2010 and \$9,883 in the three months ended June 30, 2009. In second quarter 2010 the Company also received \$17,500 of proceeds from share option exercises.

Cash provided by financing activities is \$7,345 in the first six months of 2010 compared to cash used in financing activities of \$19,766 in the same period of 2009. In each period, the Company reduced the long-term debt outstanding; \$10,155 in the six months ended June 30, 2010 and \$19,766 in the six months ended June 30, 2009. In second quarter 2010 the Company also received \$17,500 of proceeds from share option exercises.

## 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 June 30, 2010, the Company has cash on deposit of \$3,056,440 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 six months ended June 30, 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 June 30, 2010, the Company has total debt outstanding of \$5,077, 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 June 30, 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 9 to the interim financial statements as at and for the six months ended June 30, 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 June 30, 2010 or December 31, 2009.

## **OFF-BALANCE-SHEET ARRANGEMENTS**

The Company is not party to any off-balance-sheet arrangements as at June 30, 2010.

---

## SHARE CAPITAL

The following table indicates the common shares and share options issued and outstanding at December 31, 2009, June 30, 2010 and August 25, 2010.

As at	August 25 2010	June 30 2010	December 31 2009
Shares issued and outstanding	24,182,370	24,182,370	24,007,370
Share options outstanding	2,300,000	2,300,000	2,175,000
Share options exercisable	1,237,500	1,237,500	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 and six months ended June 30, 2010. 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, 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 Q4 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. 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 June 30		Six months ended June 30	
	2010	2009	2010	2009
Gross margin	<b>475,812</b>	369,863	<b>636,354</b>	813,838
Add: Other revenue	<b>632</b>	49,009	<b>2,143</b>	54,337
Deduct: General and administrative expense	<b>328,903</b>	333,592	<b>653,058</b>	698,219
Foreign exchange loss (gain)	<b>(98,224)</b>	20,980	<b>(50,929)</b>	(21,359)
Depreciation and amortization expense	<b>3,704</b>	10,369	<b>10,634</b>	20,626
Interest expense	<b>504</b>	504	<b>1,008</b>	1,330
Income tax expense	<b>74,401</b>	32,396	<b>22,590</b>	65,639
Net income (GAAP financial measure)	<b>167,156</b>	21,031	<b>2,136</b>	103,720

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 June 30		Six months ended June 30	
	2010	2009	2010	2009
EBITDA	<b>277,413</b>	94,532	<b>100,288</b>	249,692
Deduct: Depreciation and amortization expense (including portion in direct costs)	<b>35,352</b>	40,601	<b>74,554</b>	79,003
Interest expense	<b>504</b>	504	<b>1,008</b>	1,330
Income tax expense	<b>74,401</b>	32,396	<b>22,590</b>	65,639
Net income (GAAP financial measure)	<b>167,156</b>	21,031	<b>2,136</b>	103,720

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 Before Interest Expense and Income Tax Expense***(\$ unless otherwise noted)*

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Income before interest expense and income tax expense	<b>242,061</b>	53,931	<b>25,734</b>	170,689
Deduct: Interest expense	<b>504</b>	504	<b>1,008</b>	1,330
Income tax expense	<b>74,401</b>	32,396	<b>22,590</b>	65,639
Net income (GAAP financial measure)	<b>167,156</b>	21,031	<b>2,136</b>	103,720

Income 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 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 Operations***(\$ unless otherwise noted)*

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Funds generated from operations	<b>128,881</b>	122,761	<b>36,896</b>	328,601
Net change in non-cash working capital	<b>(464,400)</b>	(150,896)	<b>(171,538)</b>	(290,954)
Cash provided by (used in) operating activities (GAAP financial measure)	<b>(335,519)</b>	(28,135)	<b>(134,642)</b>	37,647

Funds generated from operations is used to assist management and investors in analyzing operating performance, after interest and taxes, without regard to the non-cash operating items 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 cash provided by (used in) operating activities, or other cash flow measures calculated in accordance with GAAP. Funds generated from 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**

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.