
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 and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010.

This MD&A dated August 25, 2011 should be read in conjunction with the accompanying unaudited condensed financial statements and notes thereto of Questor as at and for the three and six months ended June 30, 2011 and with the audited financial statements and MD&A contained in the Company's annual report for the year ended December 31, 2010. These unaudited condensed financial statements for the three and six month periods ended June 30, 2011 and 2010 are presented in Canadian dollars and have been prepared in accordance with IFRS applicable to the preparation of condensed financial statements, including International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. 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 and in note 20 to the Company's unaudited condensed financial statements as at and for the three and six months ended June 30, 2011. The unaudited condensed financial statements for the three and six month periods ended June 30, 2011 (including comparatives) and related MD&A have been approved and authorized for issue by Questor's Board of Directors and Audit and Governance Committee.

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 – Second Quarter 2011

(Stated in Canadian dollars except per share amounts)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Revenue ⁽¹⁾	1,297,277	1,161,202	136,075	2,197,257	1,650,831	546,426
Gross profit ⁽²⁾	238,558	466,171	(227,613)	536,170	616,580	(80,410)
EBITDA ⁽²⁾	303,411	291,135	12,276	202,935	126,089	76,845
Profit	209,002	171,836	37,166	89,461	8,388	81,073
Cost of sales as a percent of revenue ^{(2) (3)}	70.9%	59.8%	11.1%	68.8%	62.6%	6.2%
Cash provided by (used in) operations before movements in working capital ⁽²⁾	(59,957)	39,848	(99,805)	(59,957)	39,848	(99,805)
Total assets	7,620,230	6,729,756	890,474	7,620,230	6,729,756	890,474
Non-current liabilities	133,060	78,106	54,954	133,060	78,106	54,954
Shares outstanding ⁽⁴⁾						
Basic	24,707,370	24,069,457	637,913	24,707,370	24,038,585	668,785
Diluted	24,844,360	24,606,500	237,860	24,856,292	25,187,525	(331,233)
Earnings per share – Basic and diluted	0.008	0.007	0.001	0.004	0.000	0.004

(1) Includes net gain 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 net gain 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⁾	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue ⁽²⁾	1,297	900	2,205	1,987	1,161	490	846	719
Gross profit ⁽³⁾	239	298	966	422	466	150	268	235
EBITDA ⁽³⁾	303	(100)	572	162	291	(165)	(53)	(131)
Profit (loss)	209	(120)	370	66	172	(163)	(67)	(139)
Profit (loss) per share – Basic and diluted	0.01	(0.01)	0.02	0.00	0.01	(0.01)	(0.00)	(0.01)

(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 net gain 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 and six months ended June 30, 2011 and 2010. Figures for the three and six months ended June 30, 2010 have been prepared in accordance with IFRS and are restated from those reported previously under Canadian GAAP.

Profit

(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Profit	209,002	171,836	37,166	89,461	8,388	81,073
Earnings per share – Basic and diluted	0.008	0.007	0.001	0.004	0.000	0.004

The profit for the three months ended June 30, 2011 was \$209,002 (\$0.008 per basic share) compared to a profit of \$171,836 (\$0.007 per basic share) for the same three-month period last year. Profit for the six months ended June 30, 2011 was \$89,461 (\$0.004 per basic share) compared to a profit of \$8,388 for the six months ended June 30, 2010.

On a comparative basis, profit improved in each of the three and six month periods ended June 30, 2011 as a result of increased revenues and lower income tax expense, partially offset by higher administration expenses and research and development costs and by foreign exchange losses recorded in the first half of 2011 compared to foreign exchange gains in the same period of 2010. The cost of sales also impacted each of the periods as it was lower in second quarter 2011 but higher on a year-to-date 2011 basis relative to the comparative periods of 2010.

Revenue

(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Sale of goods	397,419	681,901	(284,482)	926,193	839,627	86,566
Rendering of services						
Incinerator rental income	227,505	234,325	(6,820)	389,855	455,625	(65,770)
Incinerator and combustion services	194,557	244,344	(49,787)	401,309	353,435	47,874
	819,481	1,160,570	(341,089)	1,717,357	1,648,687	68,670
Net gain on disposal of property and equipment	203,152	-	203,152	201,539	-	201,539
Other revenue						
Order cancellation fee	263,408	-	263,408	263,408	-	263,408
WCB Alberta 2010 special dividend	3,324	-	3,324	3,324	-	3,324
Government assistance	3,253	-	3,253	3,253	-	3,253
Interest income	1,998	-	1,998	1,998	21	1,977
Aggregate of immaterial items	2,661	632	2,029	6,378	2,123	4,255
Revenue	1,297,277	1,161,202	136,075	2,197,257	1,650,831	546,426

Revenue increased by 11.7 percent in the three month period ended June 30, 2011 and 33.1 percent in the six month period ended June 30, 2011 compared to the corresponding periods of 2010. This favourable variance is attributable to the differences in the volume and mix of incinerators sold, recovery of fabrication costs for an incinerator order that was later cancelled by the customer in second quarter 2011 and, to a lesser extent, increased provision of incinerator services. The incinerator sales comparative includes the disposition of incinerator equipment from the rental fleet with a net book value of \$74,445 for gross proceeds of \$386,718 which resulted in net gain on sale of \$219,997 after deducting refurbishment and customization costs of \$92,276. This sale is recognized in profit and included in net gain on disposal of property and equipment.

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 in first quarter 2011.

Cost of sales

(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Cost of sales	580,923	694,399	(113,476)	1,181,187	1,032,107	149,080
Cost of sales as a percent of revenue ^{(1) (2)}	70.9%	59.8%	11.1%	68.8%	62.6%	6.2%

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

(2) Revenue excludes net gain on disposal of property and equipment and other revenue.

Cost of sales is lower in the three months ended June 30, 2011 but is higher in the six months ended June 30, 2011 when compared to the same periods of 2010. This variance is due primarily to the applicable revenue levels in each period, 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 and six months ended June 30, 2011 is 70.9 percent and 68.8 percent, respectively, compared to 59.8 percent and 62.6 percent for the three and six months ended June 30, 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. This statistic is somewhat distorted by the net gain on sale of \$219,997 realized upon disposition of assets in second quarter 2011 as this was effectively an incinerator sale but the impact is included in net gain on disposal of property and equipment rather than operating revenue and cost of sales. If the applicable revenue and cost of sales amounts were corrected for this presentation, the cost of sales as a percent of revenue would be 62.0% percent for the three months ended June 30, 2011 and 64.1 percent for the six months ended June 30, 2011.

Administration expenses

(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Employee costs	163,869	142,364	21,505	330,281	281,354	48,927
Share-based payments	13,515	21,692	(8,177)	27,564	42,688	(15,124)
Consultants and contractors	85,254	30,115	55,139	167,474	64,270	103,204
Marketing/business development	26,126	20,371	5,755	40,010	28,450	11,560
Office costs	42,922	37,393	5,529	81,095	75,342	5,753
Corporate/regulatory compliance	71,937	61,119	10,818	138,196	116,434	21,762
Other	1,226	1,025	201	4,498	2,865	1,633
Administration expenses	404,849	314,079	90,770	789,118	611,403	177,715

Administration expenses increased in each of the three and six month periods ended June 30, 2011 compared to the same periods in 2010 primarily as a result of higher employee costs due to salary changes and a bonus accrual recorded in 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 2011.

Net foreign exchange losses (gains)

(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Realized	184,613	80,714	103,899	184,877	80,752	104,125
Unrealized	(143,868)	(178,938)	35,070	(105,845)	(131,681)	25,836
Net foreign exchange losses (gains)	40,745	(98,224)	138,969	79,032	(50,929)	129,961

Net foreign exchange losses were recorded in each of the three and six month periods ended June 30, 2011 in contrast to net foreign exchange gains realized in each of the corresponding periods in 2010. The Canadian dollar strengthened during the first half of 2011 thereby negatively impacting the value of cash and transactions denominated in United States dollars. The opposite currency exchange relationship occurred in the first half of 2010. 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. The Company reduced the United States cash balances on deposit during the course of second quarter 2011 in accordance with a recently adopted foreign exchange exposure policy.

Research and development costs

(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Research and development costs	10,729	3,517	7,212	31,697	20,215	11,482

Research and development costs for the three and six month periods ended June 30, 2011 were higher than such costs in the same periods of 2010 due to the incremental activity associated with the development and 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 June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Depreciation included in cost of sales	43,380	43,704	(324)	86,712	88,055	(1,343)
Depreciation included in expenses	8,148	3,400	4,748	11,036	6,321	4,715
Depreciation of property and equipment	51,528	47,104	4,424	97,748	94,376	3,372

Depreciation of property and equipment for the three and six months ended June 30, 2011 is slightly higher than the depreciation in the corresponding periods 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 the first quarter of 2011. Depreciation of the leasehold improvements undertaken in first quarter 2011 commenced in May 2011 and is reflected in the depreciation included in expenses figures above. The impact of other capital additions in second quarter 2011 will become noticeable as the year progresses.

Amortization of intangible assets

(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Amortization of intangible assets	304	305	(1)	609	4,314	(3,705)

Amortization of intangible assets for the six months ended June 30, 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 June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Short-term borrowings	-	-	-	-	-	-
Long-term borrowings	-	504	(504)	-	1,008	(1,008)
Finance costs	-	504	(504)	-	1,008	(1,008)

The interest on long-term borrowings in 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 and six month periods ended June 30, 2011 and 2010 which would otherwise have given rise to interest on short-term borrowings.

Income tax expense

(Stated in Canadian dollars unless otherwise noted)

	For the three months ended June 30			For the six months ended June 30		
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)
Current income tax	4,147	10,539	(6,392)	4,147	10,539	(6,392)
Deferred income tax	38,430	60,847	(22,417)	10,970	7,464	3,506
Income tax expense	42,577	71,386	(28,809)	15,117	18,003	(2,886)

An income tax expense of \$42,577 for second quarter 2011 is reflective of a profit before tax of \$251,579 as compared to an income tax expense of \$71,386 on a profit before tax of \$243,222 for the corresponding quarter in 2010. An income tax expense of \$15,117 for the first six months of 2011 is reflective of a profit before tax of \$104,578 as compared to an income tax expense of \$18,003 on a profit before tax of \$26,391 for the same period in 2010.

The level of income tax expense relative to the profit before tax in each of the three and six months ended June 30, 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

Oil and gas industry activity levels in Western Canada improved in second quarter 2011 despite the extended spring breakup. Activity levels are expected to continue to increase in the foreseeable future as crude oil commodity prices have remained strong, thereby promoting drilling and completions activities, and projects delayed by the inclement spring weather or typically commencing in the latter half of the year are now underway. Industry activities in the United States are also higher and increasing although there is potential for this trend to change should the economic recovery stall. The impact to the Company of an economic slowdown in the United States is somewhat mitigated by the stringent air emission regulations emerging to address increasing stakeholder pressure to improve environmental performance. The benefit to Questor of these industry activity levels will begin to materialize in the latter half of 2011 as oil field services demand tends to lag drilling completions by approximately five to six months.

In both countries, an emphasis on the development of shale gas targets and oil and liquids rich gas plays create opportunities for application of Questor's clean air technology. Questor is targeting those burgeoning markets, particularly in the United States where community concerns and regulation are more prominent, given the Company's expertise in efficient combustion, proficiency in H₂S destruction and demonstrated operational success in dehydration, low heat content gas and oil sands applications. Discussions continue as well with prospective customers for onshore and offshore projects in Mexico, the Middle East, Russia, China and Europe.

At December 31, 2010, the Company had confirmed incinerator sales orders of \$0.5 million. Since the beginning of 2011, confirmed incinerator sales orders for an additional \$2.2 million have been received. Of the \$2.7 million of associated revenue to be recorded in relation to these orders, \$1.2 million was recognized by June 30, 2011. Based on current customer-determined delivery schedules, approximately \$1.1 million will be recorded during third quarter 2011 and the balance in fourth quarter 2011. 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.

In addition to the continued sales focus, results from the implementation of Questor's short-term and long-term utilization plans for the rental incinerator fleet have begun to materialize. The Company added approximately \$0.6 million of new equipment to its rental incinerator fleet during second quarter 2011 to accommodate demand. The Company has expended a further \$0.2 million for modifications to existing rental incinerator equipment. At present, Questor has approximately 70 percent of its equipment committed under term contracts commencing in third quarter 2011. In recent weeks, rental incinerator units have been deployed to new markets in the United States and Europe for shale gas well testing activities.

There is increasing focus on energy efficiency and the Company's continued development of waste heat utilization technologies is intended to 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 commissioned in July 2011. The facility is nearing construction completion and the demonstration project is anticipated to commence operations shortly thereafter. A second initiative to advance the development of waste heat to power technology is continuing. The Company is collaborating with a major Canadian university and a leading Organic Rankine Cycle generator manufacturer to research and develop this initiative with a view to having a demonstration site operational by year-end.

As market understanding of the tangible, economic benefits of Questor's clean air incineration products grows and the new air quality solutions under development become commercial, the Company will achieve long-term growth and continued profitability.

FINANCIAL POSITION

The following table outlines the significant changes in the statement of financial position of Questor from December 31, 2010 to June 30, 2011.

Statement of financial position item	Increase (decrease)	Explanation
Cash and cash equivalents	(641,998)	The decrease is due primarily to the Company's investment in additional rental incinerator fleet equipment and, to a lesser extent, higher working capital funding requirements during second quarter 2011. See also the discussion in the Liquidity and Capital Resources section of this MD&A.
Trade and other receivables	(190,280)	The decrease is due primarily to the timing and quantum of revenue generating activities in second 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	140,066	The increase reflects the anticipation of an income tax refund pertaining to 2010 and a GST refund arising in second quarter 2011.
Inventories	215,162	The increase is related to the higher number of incinerator units in finished goods and in the process of being fabricated as well as the differences as to composition and stage of construction relative to those units as at June 30, 2011.
Property and equipment	764,934	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 the first half of 2011, derecognition of certain undepreciated capital balances, the disposition of a service vehicle in March 2011 and the disposition of certain rental fleet equipment in second quarter 2011.
Trade payables, accrued liabilities and provisions	426,799	The increase relates to the composition and timing of business activities, particularly the capital investments made in second quarter 2011 and the stage of incinerator construction reflected at the end of each period.
Current tax liabilities	(218,969)	The decrease is attributable to 2010 income tax instalment payments and, to a lesser extent, payment of provincial sales tax and GST payable.
Deferred revenue and deposits	(122,484)	The decrease relates to revenue recognition of the deposits received in respect of incinerator sales orders which were delivered during the first half of 2011.

INVESTED CAPITAL

During second quarter 2011, the Company expended \$847,282 for additions to and modifications of the incinerator rental fleet (\$739,842), leasehold improvements (\$89,617), office furniture and equipment (\$15,989) and computer hardware (\$1,834) acquisitions. During the same period of 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.

The majority of invested capital of \$958,786 in the six month period ended June 30, 2011 relates to additions to (\$599,466) and modifications of the incinerator rental fleet (\$161,494) and leasehold improvements (\$176,867). The balance of expenditures pertains to computer hardware and office furniture and equipment acquisitions. Of the capital invested to date, \$588,273 pertains to capital projects in process and will be subject to depreciation beginning in third quarter 2011. During the first six months of 2010, the invested capital of \$29,476 was primarily attributable to modifications to certain of the incinerators in the rental fleet and the acquisition 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.

In second quarter 2011, the Company sold incinerator equipment from its rental fleet with a net book value of \$74,445 for gross proceeds of \$386,718, resulting in a net gain on sale of \$219,997 after deducting refurbishment and customization costs of \$92,276. The Company also overhauled and modified certain of the equipment in the rental fleet resulting in derecognition of \$16,845, an amount equivalent to the undepreciated capital balance.

The net gains and losses of the preceding dispositions are recognized in profit and included in net gain on disposal of property and equipment.

The Company did not dispose of any property and equipment during 2010 and all derecognized capital was fully depreciated.

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 six months ended June 30	2011	2010	Increase (decrease)
Cash and cash equivalents at beginning of period	3,995,669	3,080,997	914,672
Cash provided by (used in):			
Operating activities	(97,996)	(132,517)	34,521
Investing activities	(661,144)	(29,477)	(631,667)
Financing activities	-	6,337	(6,337)
Effect of exchange rate changes on cash	117,142	131,100	(13,958)
Cash and cash equivalents at end of period	3,353,671	3,056,440	297,231

Operating Activities

Net cash used in operating activities is \$97,996 in the first half of 2011 compared to \$132,517 in the same period of 2010. The \$34,521 improvement is attributable primarily to a non-cash working capital contribution of \$176,961 in the six month period ended June 30, 2011 compared to a non-cash working capital deficit of \$172,365 in the six months ended June 30, 2010 and higher operating results in the first six months of 2011, partially offset by income tax instalments of \$215,000 in first quarter 2011.

Working Capital

(Stated in Canadian dollars unless otherwise noted)

As at	June 30 2011	December 31 2010	Increase (decrease)
Current assets	5,759,761	6,290,701	(530,940)
Current liabilities	1,315,398	1,230,052	85,346
Working capital	4,444,363	5,060,649	(616,286)
Current ratio	4.4	5.1	(0.7)

Investing Activities

Cash used in investing activities in the six months ended June 30, 2011 is \$661,144 compared to cash used in investing activities of \$29,477 in the same period of 2010. The investing activities comprised expenditures as described in the Invested Capital section of this MD&A, proceeds from dispositions of property and equipment during the first six months of 2011 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 six months ended June 30, 2011 compared to cash provided by financing activities of \$6,337 in first half of 2010. In 2010, the Company reduced the long-term borrowings outstanding by \$10,155 and paid associated financing costs of \$1,008.

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 cash generated from operations will provide sufficient capital resources and liquidity to fund existing operations and anticipated capital requirements in 2011.

As at June 30, 2011, the Company has cash on deposit of \$3,353,671 as compared to \$3,995,669 at December 31, 2010. The foreign currency composition of the cash balances is described in note 7 to the unaudited condensed financial statements as at and for the three and six months ended June 30, 2011. The use of cash during the first six month of 2011 is described in the Financial Position and Liquidity and Capital Resources sections of this MD&A.

As at June 30, 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 June 30, 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 contemplated 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 Company incurred leasehold improvement costs of \$176,867 thereby meeting the rent abatement terms and conditions. Consequently, the Company will record an office lease incentive liability amount in each of the ensuing 26 months commencing May 2011 and drawdown that liability over the remaining 46 months of the lease. The future minimum lease cash payments, inclusive of estimated operating costs, pursuant to this office space lease are included in the lease agreement commitments table below.

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:

July 1 to December 31, 2011	\$	30,640
2012		61,280
2013		119,581
2014		147,241
2015		147,241
2016		147,241
2017		49,081
	\$	702,305

Non-Derivative Financial Liabilities

At June 30, 2011 and December 31, 2010, the Company had the following contractual maturities with respect to non-derivative financial liabilities:

For the	Maturity	Six months ended June 30 2011	Year ended December 31 2010
Trade payables, accrued liabilities and provisions	Within 1 year	\$ 1,279,620	\$ 852,821
Current tax liabilities	Within 1 year	11,777	230,746
		\$ 1,291,397	\$ 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 June 30, 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 six months ended June 30, 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 June 30, 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 17 to the unaudited condensed financial statements as at and for the three and six month periods ended June 30, 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.

For the	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Questor purchased vehicle repairs and maintenance services at market value from a corporation owned by a director of the Company ⁽¹⁾	\$ 10,725	\$ -	\$ 15,610	\$ -
Questor transacted with a corporation owned by a member of the key management personnel for the provision of consulting services to the Company at market value ⁽²⁾	38,782	40,715	76,232	78,135
Questor transacted with a member of the key management personnel who supplied the Company with rental equipment at market value	-	1,430	-	2,535
	\$ 49,507	\$ 42,145	\$ 91,842	\$ 80,670
Amounts owing from related parties	\$ -	\$ -	\$ -	\$ -
Amounts owing to related parties ^{(1) (2)}	\$ 4,249	\$ 14,435	\$ 4,249	\$ 14,435

- (1) Before HST.
 (2) Before GST.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company's obligations under guarantees are not recognized in the financial statements but are disclosed. At June 30, 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, June 30, 2011 and August 25, 2011.

As at	August 25 2011	June 30 2011	December 31 2010
Shares issued and outstanding	24,707,370	24,707,370	24,707,370
Share options outstanding	1,600,000	1,600,000	1,425,000
Share options exercisable	856,250	856,250	712,500

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's unaudited condensed financial statements for the three and six month periods ended June 30, 2011 and 2010 have been prepared in accordance with IFRS applicable to the preparation of condensed financial statements, including International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The accounting policies applied in these unaudited condensed financial statements are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to adopt in its December 31, 2011 financial statements and are consistent with the accounting policies in note 3 to the Company's first condensed financial statements for the three months ended March 31, 2011 and 2010. These policies have been applied retrospectively and consistently to all periods presented subject to certain transition elections. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in a restatement of these condensed financial statements, including the transition adjustments recognized on the initial adoption of IFRS.

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

For a detailed discussion of the Company's compliance with IFRS, 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 and to notes 2 and 20 to the unaudited condensed financial statements as at and for the three and six month periods ended June 30, 2011.

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

The IASB and the IFRIC have issued a number of new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2012 or later.

The Company is currently reviewing the standards to determine the potential impact, if any on its financial statements. The Company has determined that the following standards may have an impact on the Company although the impact upon adoption is not anticipated to be material:

- IAS 1 (Amended) *Presentation of Financial Statements*. In June 2011, the IASB issued amendments to IAS 1 requiring items within other comprehensive income that may be reclassified to the profit or loss section of the income statement to be grouped together. The amendments are to be applied retrospectively and are effective for annual periods commencing on or after July 1, 2012, with earlier application permitted.
- IFRS 7 (Revised) *Disclosures -Transfers of Financial Assets*. The revised standard introduces new disclosure requirements associated with the transfer and securitization of financial assets and is effective for annual periods beginning on or after July 1, 2011.
- IFRS 9 *Financial Instruments*. 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 standard is effective for annual reporting periods beginning on or after January 1, 2013, with earlier adoption permitted.
- IFRS 13 *Fair Value Measurement*. The new standard establishes a single framework for measuring fair value estimates as required in other standards by defining fair value, providing guidance on its determination and establishing consistent disclosures required for fair value estimates. The standard is effective for annual reporting periods beginning on or after January 1, 2013, with earlier adoption permitted.

The following standards and interpretations are effective beginning January 1, 2013 but are currently not anticipated to be relevant for the Company:

- IAS 19 (Amended) *Employee Benefits*;
- IAS 27 (Amended) *Separate Financial Statements*;
- IAS 28 (Revised) *Investments in Associates and Joint Ventures*;
- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*; and
- IFRS 12 *Disclosure of Interests in Other Entities*.

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 June 30		Six months ended June 30	
	2011	2010	2011	2010
Gross profit	238,558	466,171	536,170	616,580
Add:				
Other revenue	274,644	632	278,361	2,144
Net gain on disposal of property and equipment	203,152	-	201,539	-
Deduct:				
Administration expenses	404,849	314,079	789,118	611,403
Net foreign exchange losses (gains)	40,745	(98,224)	79,032	(50,929)
Research and development costs	10,729	3,517	31,697	20,215
Depreciation of property and equipment	8,148	3,400	11,036	6,321
Amortization of intangible assets	304	305	609	4,315
Finance costs	-	504	-	1,008
Income tax expense	42,577	71,386	15,117	18,003
Profit (IFRS financial measure)	209,002	171,836	89,461	8,388

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 June 30		Six months ended June 30	
	2011	2010	2011	2010
EBITDA	303,411	291,135	202,935	126,090
Deduct:				
Depreciation of property and equipment (including amount in cost of sales)	51,528	47,104	97,748	94,376
Amortization of intangible assets	304	305	609	4,315
Finance costs	-	504	-	1,008
Income tax expense	42,577	71,386	15,117	18,003
Profit (IFRS financial measure)	209,002	171,836	89,461	8,388

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 June 30		Six months ended June 30	
	2011	2010	2011	2010
Cost of sales (IFRS financial measure)	580,923	694,399	1,181,187	1,032,107
Revenue (IFRS financial measure)	819,481	1,160,570	1,717,357	1,648,687
Cost of sales as a percent of revenue	70.9%	59.8%	68.8%	62.6%

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 (used in) Operations before Movements in Working Capital

(\$ unless otherwise noted)

For the six months ended June 30	2011	2010
Cash generated from (used in) operations before movements in working capital	(59,957)	39,848
Movements in working capital	176,961	(172,365)
Income taxes paid	(215,000)	-
Net cash generated by (used in) operating activities (IFRS financial measure)	(97,996)	(132,517)

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.