
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 nine months ended September 30, 2010 compared to the three and nine months ended September 30, 2009. This MD&A dated November 24, 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 nine months ended September 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. The continuous disclosure materials of Questor, including its annual MD&A and audited financial statements, Management Information Circular and Proxy Statement, material change reports and news releases issued by Questor, are also available through the Company's website or directly through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

QUESTOR TECHNOLOGY INC.

Questor is an international environmental oilfield 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 (H₂S). While the Company's current customer base is primarily in the oil and gas industry, this technology is applicable to other industries such as landfills, water and sewage treatment, tire recycling and agriculture.

FINANCIAL RESULTS

Questor's financial information and the related discussion of financial results in the MD&A are for the three and nine months ended September 30, 2010 and September 30, 2009.

Financial Results Summary

(\$ unless otherwise noted)

For the	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Total revenue	1,987,105	718,799	3,637,935	3,110,579
Gross margin ⁽¹⁾	435,190	235,564	1,071,544	1,049,402
EBITDA ⁽¹⁾	147,855	(130,544)	248,143	119,147
Income (loss) before interest expense and income tax expense ⁽¹⁾	112,714	(170,743)	138,448	(54)
Net income (loss)	61,438	(139,211)	63,574	(35,491)
Funds generated from (used in) operations ⁽¹⁾	198,076	(2,944)	234,972	325,657
Total assets	6,660,856	6,196,446	6,660,856	6,196,446
Long-term liabilities	98,116	53,490	98,116	53,490
Shares outstanding (thousands) ⁽²⁾				
Basic	24,331	24,007	24,137	24,007
Diluted	24,462	24,007	24,359	24,007
Net income per share – Basic and diluted	\$ 0.003	\$ (0.006)	\$ 0.003	\$ (0.001)

⁽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 Nine Months Ended September 30, 2010

Net income

(\$ unless otherwise noted)

For the	Three months ended September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Net income (loss)	61,438	(139,211)	200,649	63,574	(35,491)	99,065
Per basic and diluted share	0.003	(0.006)	0.009	0.003	(0.001)	0.004

Net income for the three months ended September 30, 2010 is \$61,438 (\$0.003 per basic share) compared to a net loss of \$139,211 (\$0.006 per basic share) for the three months ended September 30, 2009. On a comparative basis, the net income increase of \$200,649 is primarily attributable to higher revenue, lower amortization and lower foreign exchange losses. Partially offsetting these impacts is higher non-cash future income tax expense due to accelerated use of tax pools to reduce taxable income and the related effect this change in tax rates has.

Net income for the nine months ended September 30, 2010 is \$63,574 (\$0.003 per basic share) compared to a net loss of \$35,491 (\$0.001 per basic share) for the nine months ended September 30, 2009. The net income increase of \$99,065 is primarily attributable to the foreign exchange gains recorded in the first nine months of 2010 compared to the foreign exchange losses recognized in the same period of 2009, plus lower amortization and general and administrative expense, all partially offset by higher income tax expense.

Total revenue

(\$ unless otherwise noted)

For the	Three months ended September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Incinerator sales and services	1,502,612	419,334	1,083,278	2,353,936	1,924,308	429,628
Incinerator rentals and services	394,175	205,001	189,174	942,066	776,295	165,771
Combustion services	58,293	92,477	(34,184)	307,765	353,652	(45,887)
Other revenue	32,025	1,987	30,038	34,168	56,324	(22,156)
Total revenue	1,987,105	718,799	1,268,306	3,637,935	3,110,579	527,356

Total revenue increased in the three month period ended September 30, 2010 compared to the same period in 2009 principally as a result of differences to the volume and mix of incinerators sold, higher overall utilization and rate differences in the incinerator rentals and services mix and higher other revenue, partially offset by lower combustion services activity.

Total revenue increased 17 percent in the nine month period ended September 30, 2010 compared to the same period in 2009 primarily due to the mix of incinerators sold and rate differences in the incinerator rentals and services mix. Partially offsetting this favourable variance is lower combustion services activity, fewer combustion parts sales and lower other revenue.

Direct costs

(\$ unless otherwise noted)

For the	Three months ended September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Direct costs	1,519,890	481,248	1,038,642	2,532,223	2,004,853	527,370

Direct costs are higher in both third quarter 2010 and for the nine months ended September 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 nine months ended September 30, 2010 is 78 percent and 70 percent, respectively, compared to 67 percent and 66 percent for the three and nine months ended September 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 September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Employee costs	144,082	123,454	20,628	425,437	416,051	9,386
Share-based compensation	33,499	35,155	(1,656)	97,628	101,053	(3,425)
Consultants and contractors	41,604	50,726	(9,122)	105,874	157,963	(52,089)
Marketing/business development	1,099	9,160	(8,061)	29,549	40,540	(10,991)
Office costs	37,030	35,876	1,154	112,372	113,083	(711)
Corporate/regulatory compliance	36,870	43,152	(6,282)	152,783	143,879	8,904
Research and development	17,392	13,977	3,415	37,607	32,322	5,285
Other	828	2,233	(1,405)	4,212	7,061	(2,849)
General and administrative expense	312,404	313,733	(1,329)	965,462	1,011,952	(46,490)

General and administrative expense decreased modestly in third quarter 2010 compared to third quarter 2009 due principally to lower consultants and contractors expense and reduced travel and advertising costs associated with marketing/business development activities, partially offset by higher employee costs due to fluctuations in the level of staffing and associated rates of compensation period-over-period.

General and administrative expense decreased 4.5 percent in the nine months ended September 30, 2010 compared to the same period of 2009 for the aforementioned reasons. Partially offsetting the favourable variance is higher corporate/regulatory compliance costs.

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

For the	Three months ended September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Realized	30,957	(155)	31,112	111,709	(78,903)	190,612
Unrealized	7,477	84,546	(77,069)	(124,204)	141,935	(266,139)
Foreign exchange loss (gain)	38,434	84,391	(45,957)	(12,495)	63,032	(75,527)

Foreign exchange losses were recorded in each of the three month periods ended September 30, 2010 and September 30, 2009 because the Canadian dollar strengthened during each quarter thereby negatively impacting the value of cash and transactions denominated in United States dollars.

The Canadian dollar has experienced some volatility relative to the United States dollar during the first nine months of 2010 but has, in general, strengthened. The timing and level of cash balances and transactions denominated in United States dollars has been such that a small net foreign exchange gain resulted for the nine months ended September 30, 2010. Early in 2009 the Company realized a significant foreign exchange gain upon conversion of United States dollars to Canadian dollars. The Canadian dollar strengthened during the second and third quarters of 2009 such that the resultant foreign exchange losses fully offset the earlier foreign exchange gain.

Depreciation and amortization

(\$ unless otherwise noted)

For the	Three months ended September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Depreciation included in direct costs	31,478	30,029	1,449	95,398	88,405	6,993
Included in expenses:						
Depreciation	3,359	2,921	438	9,679	9,047	632
Amortization of intangibles	304	7,249	(6,945)	4,618	21,749	(17,131)
Depreciation and amortization expense	3,663	10,170	(6,507)	14,297	30,796	(16,499)
Total depreciation and amortization	35,141	40,199	(5,058)	109,695	119,201	(9,506)

Depreciation expense and depreciation included in direct costs for the three and nine months ended September 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 nine months ended September 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 September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Short-term debt	(500)	1,133	(1,633)	(500)	1,455	(1,955)
Long-term debt	504	504	-	1,512	1,512	-
Interest expense	4	1,637	(1,633)	1,012	2,967	(1,955)

Interest expense for the first nine months of 2010 is 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 which was fully repaid in September 2010.

Income tax expense (recovery)

(\$ unless otherwise noted)

For the	Three months ended September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Current income tax	(8,568)	(7,398)	(1,170)	1,971	54,713	(52,742)
Future income tax	59,840	(25,771)	85,611	71,891	(22,243)	94,134
Income tax expense (recovery)	51,272	(33,169)	84,441	73,862	32,470	41,392

An income tax expense of \$51,272 for third quarter 2010 is attributable to income before income tax expense of \$112,710 as compared to an income tax recovery of \$33,169 on loss before income tax expense of \$172,380 for third quarter 2009.

For the nine months ended September 30, 2010, the Company incurred an income tax expense of \$73,862 on income before income tax expense of \$137,436 as compared to an income tax expense of \$32,470 on loss before income tax expense of \$3,021 for the same period of 2009.

The level of income tax expense relative to income before income tax expense for the three and nine months ended September 30, 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

While the pace of general economic recovery is slow, the industry has nevertheless responded to improving economic conditions by increasing drilling activities and capital investment. Questor's 2010 financial results are benefitting from the increased oil and gas industry activity levels. At the date of this MD&A, the Company has a confirmed incinerator sales order backlog of \$2.2 million. Based on the current customer-specified delivery schedule, approximately \$1.8 million will be delivered in fourth quarter 2010 and the balance in the first half of 2011. The value of confirmed incinerator sales orders delivered and incinerator rental revenue generated to date in fourth quarter 2010, in combination with \$3.6 million of total revenue generated to the end of third quarter 2010, means revenue results for 2010 will be the second highest achieved in the Company's history.

The Company is capitalizing on the improving economic 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 was 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 one third of the fleet is now contracted to the end of the year. The value of outstanding bids/proposals currently stands in excess of \$31 million. While the number and timing of projects for which Questor's proposal will be selected is not reasonably determinable, the continued stream of requests for proposal and 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. To illustrate, a recent incinerator sales order from a Calgary-based oil and natural gas exploration and production company for an oil sands in-situ combustion development in Saskatchewan occurred specifically because of the considerable energy savings possible and the provision of a safe and efficient means to destroy sour gas provided by Questor's equipment.

World energy demand continues to grow and world oil consumption is estimated to be 30 billion barrels per year. This consumption cannot feasibly be replaced by renewable energy sources and the world economy will continue to be fossil fuel based for the foreseeable future. The World Bank-led Global Gas Flaring Reduction partnership estimates that globally the energy equivalent of 2.5 million barrels of oil per day is wasted through flaring and venting. Heightened attention to and increasing public pressure for greater corporate responsibility for sustainable development is leading to stronger regulations, 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 and incineration is recognized as a practical solution to assist in achieving this outcome. Consequently, through the utilization of waste heat, an opportunity lies in meeting the world's energy demands while addressing the increasing focus on climate change.

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 progressing the development of a pilot project in Colorado which would utilize this developing technology to demonstrate carbon emissions reduction and energy efficiency best practice advancements. The application is targeted to commence in early second quarter 2011 and involves using the waste heat generated from combustion of waste gases to vaporize produced water thereby eliminating the current, expensive practice of trucking the produced water to a disposal facility.

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

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(in \$ thousands except per share amounts)</i>	2010	2010	2010	2009	2009	2009	2009	2008
Total revenue	1,987	1,161	490	846	719	1,229	1,163	2,085
Gross margin	435	476	161	268	235	370	444	792
Income (loss) before interest expense and income tax expense	113	242	(216)	(96)	(171)	54	117	874
Net income (loss)	61	167	(165)	(67)	(139)	21	83	577
Net income (loss) per share								
Basic	0.00	0.01	(0.01)	(0.00)	(0.01)	0.00	0.00	0.03
Diluted	0.00	0.01	(0.01)	(0.00)	(0.01)	0.00	0.00	0.03

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 September 30, 2010.

Balance sheet item	\$ Increase (decrease)	Explanation
Cash	669,707	The increase is due primarily to lower working capital funding requirements during 2010, partially offset by the weakening of foreign currencies relative to the Canadian dollar. See also the discussion in the Liquidity and Capital Resources section of this MD&A.
Accounts receivable	66,072	The increase is due primarily to the timing and quantum of revenue generating activities in third quarter 2010 compared to fourth quarter 2009, partially offset by the effect of transactions denominated in foreign currencies during a period when the Canadian dollar strengthened relative to the foreign currencies.

Balance sheet item	\$ Increase (decrease)	Explanation
Income and other taxes receivable	(306,469)	The decrease reflects the receipt of an income tax refund and a GST refund, both amounts pertaining to 2009.
Inventory	53,555	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.
Future income tax asset	(50,113)	The future income tax asset was reversed upon approval of the Company's request to carryback to 2008 the non-capital losses created by unrealized foreign exchange losses in 2009.
Property and equipment	(61,303)	The decrease is a reflection of depreciation recorded during the year, partially offset by capital additions in 2010 as detailed in the Invested Capital section of this MD&A.
Accounts payable and accrued liabilities	132,345	The increase relates to the composition and timing of business activities, particularly incinerator construction, reflected at the end of each period.
Share capital	124,313	The increase reflects the issuance of common shares upon exercise of share options in the second and third quarters of 2010.
Contributed surplus	52,203	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 the second and third quarters of 2010.

INVESTED CAPITAL

During third quarter 2010 Questor acquired \$14,297 of plant and equipment consisting of modifications to certain of the incinerators in the rental fleet and the acquisition of tools and computer hardware. In the same period of 2009, property and equipment increased by \$55,338 as result of additions to the incinerator rental fleet and, to a lesser extent, expenditures for tools and computer hardware.

Invested capital of \$43,774 in the nine month period ended September 30, 2010 pertains primarily to modifications to certain of the incinerators in the rental fleet and the acquisition of computer hardware and software and, to a lesser extent, expenditures for tools. During the first nine months of 2009, the increase to plant and equipment was \$157,651 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 September 30			Nine months ended September 30		
	2010	2009	\$ Change	2010	2009	\$ Change
Cash, beginning of period	3,056,440	3,107,827	(51,387)	3,080,997	3,259,037	(178,040)
Cash provided by (used in):						
Operating activities	673,150	157,078	516,072	538,508	189,274	349,234
Investing activities	(13,442)	(52,619)	39,177	(41,802)	(153,442)	111,640
Financing activities	39,923	(9,883)	49,806	47,268	(29,649)	76,917
Effect of exchange rates on cash	(5,367)	(51,660)	46,293	125,733	(114,477)	240,210
Cash, end of period	3,750,704	3,150,743	599,961	3,750,704	3,150,743	599,961

Operating Activities

Cash provided by operating activities is \$673,150 in the three month period ended September 30, 2010 compared to \$157,078 in the same period of 2009. The favourable variance of \$516,072 is primarily attributable to a non-cash working capital contribution of \$475,074 in third quarter 2010 compared to a non-cash working capital contribution of \$154,573 in third quarter 2009 and to higher operating results in the three months ended September 30, 2010.

Cash provided by operating activities is \$538,508 in the nine month period ended September 30, 2010 compared to cash provided by operating activities of \$189,274 in the same period of 2009. The \$349,234 increase is primarily attributable to a non-cash working capital contribution of \$303,536 in third quarter 2010 compared to a non-cash working capital deficit of \$136,381 in third quarter 2009, partially offset by slightly lower operating results in the nine months ended September 30, 2010.

Working Capital

(\$ unless otherwise noted)

As at	September 30 2010	December 31 2009
Current assets	5,292,572	4,838,793
Current liabilities ⁽¹⁾	707,046	568,106
Working capital	4,585,526	4,270,687
Current ratio	7.5	8.5

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

Investing Activities

Cash used in investing activities in the three months and nine months ended September 30, 2010 is \$13,442 and \$52,619, respectively, compared to \$41,802 and \$153,442, respectively, in the same periods of 2009. The investing activities comprises expenditures as described in the Invested Capital section of this MD&A and capital amounts in accounts payable from prior periods net of capital amounts in current accounts payable.

Financing Activities

Cash provided by financing activities is \$39,923 in third quarter 2010 compared to cash used in financing activities of \$9,883 in third quarter 2009. In each period, the Company reduced the long-term debt outstanding at that time; \$5,077 in the three months ended September 30, 2010 and \$9,883 in the three months ended September 30, 2009. In third quarter 2010 the Company also received \$45,000 of proceeds from share option exercises.

Cash provided by financing activities is \$47,268 in the nine month period ended September 30, 2010 compared to cash used in financing activities of \$29,649 in the same period of 2009. In each period, the Company reduced the long-term debt outstanding; \$15,232 in the nine months ended September 30, 2010 and \$29,649 in the nine months ended September 30, 2009. In the second and third quarters of 2010 the Company also received combined proceeds of \$62,500 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.

At September 30, 2010, the Company has cash on deposit of \$3,750,704 as compared to cash balances of \$3,080,997 at December 31, 2009. The foreign currency composition of the cash balances is described in Note 3 to the interim financial statements as at and for the three and nine months ended September 30, 2010. The use of cash during 2010 is described in the Financial Position and Liquidity and Capital Resources sections of this MD&A.

At September 30, 2010, the Company has no debt outstanding.

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 September 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 three and nine months ended September 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 September 30, 2010 or December 31, 2009.

OFF-BALANCE-SHEET ARRANGEMENTS

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

SHARE CAPITAL

The following table indicates the common shares and share options issued and outstanding at December 31, 2009, September 30, 2010 and November 24, 2010.

As at	November 24 2010	September 30 2010	December 31 2009
Shares issued and outstanding	24,707,370	24,632,370	24,007,370
Share options outstanding	1,425,000	1,587,500	2,175,000
Share options exercisable	712,500	975,000	1,293,750

Subsequent to September 30, 2010, 187,500 share options were cancelled.

On October 15, 2010, subject to regulatory approval, the Company issued a grant of share options to an employee entitling the purchase of up to 100,000 common shares at \$0.235 per share, exercisable for a period of five years and vesting in accordance with the provisions of the Company's share option plan.

On October 27, 2010, 75,000 common shares were issued upon exercise of share options.

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 nine months ended September 30, 2010. For further information regarding these policies refer to the notes to the interim financial statements as at and for the three and nine months ended September 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 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.

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.

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.

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.

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.

Phase 3 – Implementation

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

The Company has completed the diagnostic phase and is currently working on the evaluation and development phase with a targeted completion date of Q4 2010.

Based on the analysis to date, set out below are key areas where changes in accounting policies are expected to or may impact the Company's financial statements. The list and comments thereon should not be regarded as a complete list of changes that will result from transitioning to and adopting IFRS. Further, the conclusions that management has reached at this point may change. As such, the impact of IFRS on the Company's financial statements is not reasonably determinable or estimable at this time.

Property and equipment

Under IAS 16, at the date of transition, property and equipment can be recorded based on the fair value model or cost model. The choice of model can be applied separately to individual assets or to classes of assets. The Company has elected to use the cost model at the date of transition rather than utilize the allowed election to recognize assets at fair value. Management has identified an approach to componentization, assets lives, depreciation mechanics and residual values. The anticipated financial statement impact on transition will be on property and equipment, future (deferred) income taxes, and retained earnings.

Share based compensation

Under IFRS the Company will accrue the cost of share based compensation payments over the vesting period using the graded method of amortization whereas, under Canadian GAAP, the Company has been recognizing such expense on a straight-line basis. IFRS 2 requires that an estimate is made of the forfeiture rate whereas under Canadian GAAP, the stock-based compensation expense is only impacted when the actual forfeiture takes place. The Company is considering the IFRS 1 first-time adoption exemption available upon initial transition that provide relief from retrospective application by allowing any share based payments vesting before January 1, 2010 to be exempt from IFRS 2 "Share based Payment". The anticipated financial statement impact on transition will be on contributed surplus, income taxes and retained earnings.

Asset impairment

Under IAS 36, impairment testing is performed at the cash generating unit level. A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. Under Canadian GAAP, property, and equipment is allocated to asset groups defined as the lowest level of assets and liabilities for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In addition, under IFRS, the recoverable amount for impairment analysis is based on discounted cash flows, unlike Canadian GAAP where the recoverable amount is assessed on an undiscounted basis. Management has identified an approach for specifying cash generating units and is assessing the value in use of assets. The anticipated financial statement impact, if any, will be to property and equipment, future (deferred) income taxes and retained earnings.

Income taxes

Both Canadian GAAP and IFRS follow the liability method of accounting for income taxes where tax liabilities and assets are recognized on temporary differences. However, the Company's future (deferred) income tax asset/liability will be impacted by any key differences between Canadian GAAP and IFRS for income taxes, plus the tax effects resulting from the IFRS changes discussed above. The Company is continuing to assess the potential financial statement impact of IFRS income tax principles on transition.

On October 1, 2010, the Canadian Securities Administrators ("CSA") published amendments which included a 30 day extension to the deadline for filing of the first interim financial report in the year of adopting IFRS for an interim period beginning on or after January 1, 2011. As a result of the extension, the Company has until June 29, 2011 to file its first interim financial statements under IFRS.

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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Gross margin	435,190	235,564	1,071,544	1,049,402
Add: Other revenue	32,025	1,987	34,168	56,324
Deduct: General and administrative expense	312,404	313,733	965,462	1,011,952
Foreign exchange loss (gain)	38,434	84,391	(12,495)	63,032
Depreciation and amortization expense	3,663	10,170	14,297	30,796
Interest expense	4	1,637	1,012	2,967
Income tax expense (recovery)	51,272	(33,169)	73,862	32,470
Net income (loss) (GAAP financial measure)	61,438	(139,211)	63,574	(35,491)

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 (Loss), Comprehensive Income (Loss) 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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
EBITDA	147,855	(130,544)	248,143	119,147
Deduct: Depreciation and amortization expense (including portion in direct costs)	35,141	40,199	109,695	119,201
Interest expense	4	1,637	1,012	2,967
Income tax expense (recovery)	51,272	(33,169)	73,862	32,470
Net income (loss) (GAAP financial measure)	61,438	(139,211)	63,574	(35,491)

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

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

For the	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Income (loss) before interest expense and income tax expense	112,714	(170,743)	138,448	(54)
Deduct: Interest expense	4	1,637	1,012	2,967
Income tax expense (recovery)	51,272	(33,169)	73,862	32,470
Net income (loss) (GAAP financial measure)	61,438	(139,211)	63,574	(35,491)

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 (Loss), Comprehensive Income (Loss) and Retained Earnings (Deficit) and is defined as gross margin plus other revenue less general and administrative expense, foreign exchange losses (gains) and depreciation and amortization.

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

For the	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Funds generated from (used in) operations	198,076	(2,944)	234,972	325,657
Net change in non-cash working capital	475,074	154,573	303,536	(136,381)
Cash provided by operating activities (GAAP financial measure)	673,150	151,629	538,508	189,276

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