
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 year ended December 31, 2010 compared to the year ended December 31, 2009. This MD&A dated April 27, 2011 should be read in conjunction with the audited annual financial statements and notes thereto of Questor for the year ended December 31, 2010. The financial statements, and extracts from those financial statements provided within this MD&A, have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. Questor's Board of Directors and Audit and Governance Committee have reviewed and approved the December 31, 2010, audited financial statements and related MD&A.

Additional information relating to Questor can be found on its website at www.questortech.com. The continuous disclosure materials of Questor, including its annual MD&A and audited financial statements, Management Information Circular and Proxy Statement, material change reports and news releases issued by Questor, are also available through the Company's website or directly through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

The following MD&A contains forward-looking statements. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties, including without limitation, changes in market competition, governmental or regulatory developments, changes in tax legislation, general economic conditions and other factors set out in the Company's public disclosure documents. Many factors could cause the Company's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements included in, or incorporated by reference in this MD&A, should not be unduly relied upon. These statements speak only as of the date of this MD&A. The Company does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

BUSINESS OVERVIEW

The Company

Questor is an international environmental oilfield 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. Questor trades on the TSX Venture Exchange under the symbol "QST".

Financial Highlights Summary - Annual

(\$ unless otherwise noted)

For the years ended December 31	2010	2009	Increase (decrease)
Total revenue	5,841,438	3,957,174	1,884,264
Gross margin ⁽¹⁾	2,046,578	1,317,229	729,349
EBITDA ⁽¹⁾	801,271	66,042	735,229
Income (loss) before interest expense and income tax expense ⁽¹⁾	658,243	(96,130)	754,373
Net income (loss)	425,897	(101,963)	527,860
Funds generated from operations ⁽¹⁾	773,343	406,176	367,167
Total assets	7,617,191	6,272,999	1,344,192
Long-term liabilities	110,222	74,057	36,165
Shares outstanding (thousands) ⁽²⁾			
Basic	24,276	24,007	269
Diluted	24,387	24,007	380
Net income (loss) per share			
Basic	\$ 0.018	\$ (0.004)	\$ 0.022
Diluted	\$ 0.017	\$ (0.004)	\$ 0.021

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

(2) Weighted average.

Financial Highlights Summary - Quarterly

(\$ thousands except per share amounts)

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	2,203	1,987	1,161	490	846	719	1,229	1,163
Gross margin	975	435	476	161	268	235	370	444
Income (loss) before interest expense and income tax expense	519	113	242	(216)	(96)	(171)	54	117
Net income (loss)	363	61	167	(165)	(67)	(139)	21	83
Net income (loss) per share								
Basic	0.02	0.00	0.01	(0.01)	(0.00)	(0.01)	0.00	0.00
Diluted	0.02	0.00	0.01	(0.01)	(0.00)	(0.01)	0.00	0.00

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.

2010 Operational Highlights

Relative to the strategic priorities, the following selected events and achievements demonstrate Questor's progression in 2010:

- Generated the second highest total annual revenue in the Company's history, \$5,841,438, which is 48 percent higher than total revenue attained in 2009.
- Completed a substantial international incinerator sales contract with a global, diversified, upstream oil and gas company for a large gas plant complex located in Indonesia. This project is the first time the Company's technology has been deployed to a low heat content tail gas application. The incinerator equipment was successfully commissioned in first quarter 2011. The revenue associated with the incinerator sale was recorded in 2010 whereas the commissioning revenue will be reflected in 2011.
- Completed a waste gas incineration equipment sales contract with a Calgary-based oil and natural gas exploration and production company for an oilsands in-situ combustion development in Saskatchewan. This sales order was the direct result of having deployed Questor's rental incinerator equipment to handle low heat content sour waste gases with high flow rates at a heavy oil operation located in southwest Saskatchewan. That application established the prospective use of Questor's products in oilsands development and demonstrated the considerable energy savings possible while providing an effective and efficient means to destroy high nitrogen and carbon dioxide content sour gas.
- Established a dedicated test facility at the Company's Grande Prairie location to advance the development of a process to convert waste gas to heat and/or power which would operate in tandem with Questor's incinerator products. The Company continued to progress this technology by testing different heat recovery module prototypes. The purpose of these tests was, and continues to be, 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.
- Awarded its first commercial sales order to supply incineration and heat recovery equipment to a carbon emissions reduction and energy efficiency demonstration project in Colorado. The Company, in partnership with a large oilfield compression company in the United States, is progressing the use of 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 application is targeted to commence in second quarter 2011 at which time the associated revenue will be recognized.
- Built market awareness and recognition for Questor's expertise in matters relating to air quality as demonstrated by invitations to present at several events worldwide:
 - The Texas Commission on Environmental Quality ("TCEQ"), the lead environmental agency for the state of Texas, on March 26, 2010 regarding Questor's incineration technology as an alternative solution to flaring.
 - 2010 EnviroArabia Conference held in the Kingdom of Bahrain on April 19, 2010 on the topic of "Clearing the Air – Safely and Efficiently".
 - Society of Petroleum Engineers Offshore Technology Conference in Houston, Texas, USA on May 6, 2010, on the topic of "Platform Waste Gas Combustion: Efficiently, Safely, Reliably and Economically".
 - The Mechanical and Industrial Engineering Department at the University of Toronto on September 10, 2010 in Toronto, Ontario, Canada. on the topic of "Air Pollution: The Daily Spills That We Ignore".
 - Canada-Russia Energy Forum in Montreal, Quebec, Canada on September 11, 2010 on the topic of "Clearing the Air! Safely, Economically and Efficiently".
- Achieved recognition of Questor's growth when the Company was selected for *Alberta Venture's* 2011 Fast Growth 50 list, an annual ranking honoring fifty of the fastest growing companies in Alberta. This is the third year in succession that Questor has been selected for the Fast Growth 50 list.
- Questor's President and Chief Executive Officer, Audrey Mascarenhas, served as a distinguished lecturer for the Society of Petroleum Engineering ("SPE") during the 2010-2011 lecture season. In that capacity she presented on the importance of clean air and the technologies available to address the impacts to air quality from flaring and venting.

FINANCIAL RESULTS ANALYSIS

Questor's financial information and the related discussion of financial results are for the three months and years ended December 31, 2010 and December 31, 2009.

Net income

(\$ unless otherwise noted)

For the	Three months ended December 31			Year ended December 31		
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)
Net income (loss)	362,323	(66,472)	428,795	425,897	(101,963)	527,860
Per basic share	0.015	(0.003)	0.018	0.018	(0.004)	0.022
Per diluted share	0.014	(0.003)	0.017	0.017	(0.004)	0.021

Net income for the three months ended December 31, 2010 is \$362,323 (\$0.015 per basic share) compared to a net loss of \$66,472 (\$0.003 per basic share) for the three months ended December 31, 2009. On a comparative basis, the net income increase of \$428,795 is primarily attributable to higher incinerator sales and services revenue, partially offset by higher current income tax expense and general and administrative expense.

Net income for the year ended December 31, 2010 is \$425,897 (\$0.018 per basic share) compared to a net loss of \$101,963 (\$0.004 per basic share) for the year ended December 31, 2009. The net income increase of \$527,860 is primarily attributable to higher incinerator sales and rental revenues, lower foreign exchange losses and amortization expense. Partially offsetting these impacts is higher income tax expense and lower other revenue.

Total revenue

(\$ unless otherwise noted)

For the	Three months ended December 31			Year ended December 31		
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)
Incinerator sales and services	1,773,422	353,454	1,419,968	4,127,358	2,277,762	1,849,596
Incinerator rentals and services	302,994	322,090	(19,096)	1,245,060	1,098,385	146,675
Combustion services	106,219	124,767	(18,548)	413,984	478,419	(64,435)
Other revenue	20,868	46,284	(25,416)	55,036	102,608	(47,572)
Total revenue	2,203,503	846,595	1,356,908	5,841,438	3,957,174	1,884,264

Total revenue increased in the three month period ended December 31, 2010 compared to the same period in 2009 as a result of differences to the volume and mix of incinerators sold, partially offset by utilization and rate differences in the incinerator rental and services mix, reduced combustion services activity and lower other revenue. Other revenue is higher in fourth quarter 2009 primarily due to the recovery of an accounts receivable amount that had previously been impaired.

Total revenue increased by 48% in 2010 compared to 2009 as a result of incinerator sales and, to a lesser extent, increased incinerator rental fleet utilization. While the number of incinerator units sold in each year was similar, the mix/capacity of the units differed considerably. In the second half of 2010, the delivery of two large units, one to a tail gas application in Indonesia and the other to an oilsands in-situ combustion development in Saskatchewan, accounted for a majority of the revenue increase. Partially offsetting this favourable variance is lower combustion services activity and other revenue. Other revenue is higher in 2009 primarily due to the

aforementioned accounts receivable recovery and larger investment tax credits on eligible Scientific Research and Experimental Development (“SR&ED”) expenditures.

Direct costs

(\$ unless otherwise noted)

For the	Three months ended December 31			Year ended December 31		
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)
Direct costs	1,207,601	532,484	675,117	3,739,824	2,537,337	1,202,487

Direct costs are higher in both fourth quarter 2010 and for year ended December 31, 2010 compared to the same periods of 2009. This variance is due primarily to higher revenue, with some impact from the sales and services mix. Direct costs as a percent of revenue (excluding other revenue) for the three months and year ended December 31, 2010 is 55 percent and 65 percent, respectively, compared to 67 percent and 66 percent for the three months and year ended December 31, 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 December 31			Year ended December 31		
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)
Employee costs	179,420	127,347	52,073	604,857	543,398	61,459
Share-based compensation	31,689	33,750	(2,061)	129,317	134,803	(5,486)
Consultants and contractors	65,076	54,107	10,969	170,950	212,070	(41,120)
Marketing/business development	13,505	11,678	1,827	43,054	52,218	(9,164)
Office costs	45,746	36,804	8,942	158,118	149,887	8,231
Corporate/regulatory compliance	49,011	48,257	754	201,794	192,136	9,658
Research and development	23,219	15,369	7,850	60,826	47,691	13,135
Other	3,128	35,408	(32,280)	7,340	42,469	(35,129)
General and administrative expense	410,794	362,720	48,074	1,376,256	1,374,672	1,584

General and administrative expense increased in fourth quarter 2010 compared to fourth quarter 2009 as a result of higher employee costs due to salary changes and a bonus accrual recorded in fourth quarter 2010, the impact of fluctuations in the level of staffing as it relates to consultants and contractors expense, higher information services spending and research and development expense. Partially offsetting the unfavourable variance is an allowance for doubtful accounts included in other general and administrative expense in fourth quarter 2009.

The slightly higher general and administrative expense in the year ended December 31, 2010 compared to the year ended December 31, 2009 is attributable to fluctuations in the level of staffing and associated rates of compensation year-over-year thereby impacting both employee costs and consultants and contractors expense, as well as higher information services spending, research and development expense and corporate insurance costs. Partially offsetting these higher costs is reduced travel and advertising costs associated with marketing/business development activities and lower share-based compensation expense.

Foreign exchange loss (gain)

(\$ unless otherwise noted)

For the	Three months ended December 31			Year ended December 31		
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)
Realized	157	136	21	111,866	(78,769)	190,635
Unrealized	62,889	37,037	25,852	(61,315)	178,974	(240,289)
Foreign exchange loss (gain)	63,046	37,173	25,873	50,551	100,205	(49,654)

Foreign exchange losses were recorded in each of the three month periods ended December 31, 2010 and December 31, 2009 because the Canadian dollar strengthened during each quarter thereby negatively impacting the value of cash and transactions denominated in United States dollars. In addition, higher cash balances were held in United States dollars in fourth quarter 2010 compared to the same period in 2009, further impacting the level of non-cash foreign exchange loss experienced.

The Canadian dollar experienced some volatility relative to the United States dollar during 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 net foreign exchange loss resulted for the year ended 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 significantly during the last nine months 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 December 31			Year ended December 31		
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)
Depreciation included in direct costs	31,066	32,677	(1,611)	126,464	121,082	5,382
Included in expenses:						
Depreciation	1,962	3,045	(1,083)	11,641	12,092	(451)
Amortization of intangibles	305	7,249	(6,944)	4,923	28,998	(24,075)
Depreciation and amortization expense	2,267	10,294	(8,027)	16,564	41,090	(24,526)
Total depreciation and amortization	33,333	42,971	(9,638)	143,028	162,172	(19,144)

Depreciation expense and depreciation included in direct costs for fourth quarter 2010 is lower than fourth quarter 2009 due to the impact of a declining balance depreciation methodology applicable to assets for which only minor capital additions occurred in 2010.

Depreciation included in direct costs for the year ended December 31, 2010 is higher than the corresponding period in 2009 due to the depreciation of capital additions to the rental incinerator fleet occurring in fourth quarter 2009 and during 2010, partially offset by lower depreciation expense for vehicles.

Amortization expense for the three months and year ended December 31, 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 December 31			Year ended December 31		
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)
Short-term debt	-	1	(1)	(500)	1,456	(1,956)
Long-term debt	-	504	(504)	1,512	2,016	(504)
Interest expense	-	505	(505)	1,012	3,472	(2,460)

Interest expense in fourth quarter 2010 and year-to-date 2010 is lower than the corresponding periods in 2009 because the Company made no draws on its revolving demand operating loan which would otherwise give rise to interest on short-term debt. The interest on long-term debt relates to vehicle financing which was fully repaid in September 2010.

Income tax expense (recovery)

(\$ unless otherwise noted)

For the	Three months ended December 31			Year ended December 31		
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)
Current income tax	126,660	(42,586)	169,246	128,631	12,127	116,504
Future income tax	30,812	12,477	18,335	102,703	(9,766)	112,469
Income tax expense (recovery)	157,472	(30,109)	187,581	231,334	2,361	228,973

An income tax expense of \$157,472 for fourth quarter 2010 is attributable to income before income tax expense of \$519,795 as compared to an income tax recovery of \$30,109 on loss before income tax expense of \$96,581 for fourth quarter 2009.

For the year ended December 31, 2010, the Company incurred an income tax expense of \$231,334 on income before income tax expense of \$657,231 as compared to a small income tax expense of \$2,361 on loss before income tax expense of \$99,602 for the year ended December 31, 2009.

The level of income tax expense relative to income (loss) before income tax expense for the three months and years ended December 31, 2010 and December 31, 2009 is due to permanent differences between the accounting and tax basis of assets and liabilities and the effect of changes in tax rates.

OUTLOOK

General economic prospects and natural gas supply and demand fundamentals may remain uncertain but the continued strengthening of crude oil prices has led to increased drilling and capital investment by the oil and gas industry. Facility construction and the related demand for oil field services typically lag drilling completions by approximately five to six months. Consequently, the positive impact of this resurgence of industry activity and expenditure levels will likely become more apparent in Questor's financial results during the latter half of 2011.

At December 31, 2010, the Company had confirmed incinerator sales orders of \$0.5 million. All of these orders were delivered and the revenue recognized in first quarter 2011. Since the beginning of 2011, confirmed incinerator sales orders for an additional \$0.9 million have been received. Based on current customer-determined delivery schedules, \$0.8 million of the associated revenue will be recorded during second quarter 2011 and the balance in third quarter 2011. The value of these sales orders, in combination with actual and projected incinerator rentals and combustion services revenues to the end of second quarter 2011, is on pace with, and slightly ahead of, the revenue results attained in the first six months of 2010. While the total volume,

mix and delivery timing of incinerator sales orders for 2011 is not reasonably determinable, improving activity levels in industry and the extent of ongoing inquiries and bid/proposals outstanding at this time indicate the Company will achieve positive results for the year.

Regardless of ambiguous economic conditions, world energy demand continues to grow. Current world oil consumption is estimated to be 30 billion barrels per year. This consumption cannot feasibly be replaced by renewable energy sources and, as such, the world economy will continue to be fossil fuel based for the foreseeable future. Simultaneously, social and political concerns related to the effects of climate change and the desire to reduce greenhouse gases is increasing. One of the primary activities that have added greenhouse gases to the atmosphere is through the burning of fossil fuels. Natural gas flaring and venting is a significant emissions contributor. Compounding the issue is the amount of energy wasted through flaring and venting; the energy equivalent of 2.5 million barrels of oil per day based on the World Bank-led Global Gas Flaring Reduction partnership estimates. To address air quality issues precipitated by natural gas flaring, venting and fugitive emissions, governments worldwide are developing policies, enacting legislation and enforcing clean air regulations. While part of the solution to global climate change is to replace the burning of fossil fuels and other waste gases with alternative technologies, the more immediate solution is the development and use of energy efficient technologies as a means to minimize greenhouse gases and other pollutants, reduce operating costs and manage corporate liability while building sustainability. The focus directed to global climate change initiatives and cost effective clean air solutions creates a unique business opportunity for which Questor's incineration technology is well positioned. Historically, much of the demand for the Company's products and services has been driven by public and regulatory interests. More recently, the market's understanding of the demonstrated economic benefits of clean combustion has been gaining momentum as well.

To capitalize on these favourable conditions for incinerator sales and to raise market awareness of Questor's products and services, the Company plans to commit additional resources to sales and marketing in the coming year. The Company will leverage existing and develop new strategic market relationships to increase sales channels in those geographical areas with the highest opportunity and expand to other industries where Questor's proprietary technology would prove effective. The international market offers such growth opportunities for Questor's clean air solutions and, accordingly, technical discussions are currently underway for new projects in Mexico, China, the Middle East and Russia. The demand for Questor's technology in the United States remains strong for the foreseeable future based on high development activity, particularly in the shale gas areas, and the enforcement of stringent environmental regulations. But as promising as these developments are, the risk of political unrest in Middle Eastern countries and the continuing appreciation of the Canadian dollar relative to the United States dollar may impact the timing and price competitiveness of these particular sales and marketing initiatives.

Research and development activities are critical to the Company's future as enhancements to current products and services and the development of new air quality solutions and products will expand the Company's markets and differentiate Questor from its competitors. The aforementioned increasing focus on climate change concerns and the desire to reduce greenhouse gas emissions cost effectively have intensified customer interest in the Company's efforts to develop a process to convert waste gas to heat and/or power. Water vaporization is one of Questor's initial target markets for this technology and a majority of the design and testing activities over the past year have been directed to this particular application. The Company, in partnership with a large oilfield compression company in the United States, has been awarded its first commercial sales order to supply 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 application is targeted to commence in second quarter 2011.

In addition to the continued sales focus and product development efforts, Questor is implementing short-term and long-term utilization plans for the rental incinerator fleet to provide a base level of activity and revenue. The Company intends to add approximately \$0.5 million of new equipment to its rental incinerator fleet during second quarter 2011 to accommodate demand for combustion of flow rates in excess of the capacity of units currently comprising the fleet. At present, Questor has approximately 20 percent of its equipment committed

under term contracts in Canada and is in negotiations with potential customers in the United States and Europe to commit a further 40 percent commencing in third quarter 2011.

Questor remains focused on the long-term growth and profitability of the Company. In this continuing uncertain environment, the Company will preserve its operational flexibility and balance sheet strength in order to support business and product development activities and the selective pursuit of growth opportunities.

FINANCIAL POSITION

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

Balance sheet item	Increase (decrease)	Explanation
Cash and cash equivalents	914,672	The increase is due primarily to higher funds generated from operations and lower working capital funding requirements during 2010. See also the discussion in the Liquidity and Capital Resources section of this MD&A.
Accounts receivable	1,008,249	The increase is due primarily to the timing and quantum of revenue generating activities in fourth quarter 2010 compared to the same period of 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.
Income and other taxes receivable	(306,488)	The decrease reflects the receipt of an income tax refund and a GST refund, both amounts pertaining to 2009.
Inventory	(119,578)	The decrease is related to the lower number of incinerator units being fabricated and the differences to composition and stage of construction relative to those units as at December 31, 2010.
Property and equipment	(101,666)	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	504,671	The increase relates to the composition and timing of business activities, particularly incinerator construction, reflected at the end of each period.
Income and other taxes payable	211,397	The increase is attributable to 2010 income taxes payable and, to a lesser extent, provincial sales tax and GST payable.
Share capital	139,230	The increase reflects the issuance of common shares upon exercise of share options in 2010.

INVESTED CAPITAL

During fourth quarter 2010 the Company expended \$650 to acquire tools and reclassified \$7,985 of computer software capitalized in second quarter 2010 to general and administrative expense. In the same period of 2009, Questor acquired \$217,519 of plant and equipment consisting primarily of additions to the incinerator rental fleet.

Invested capital of \$36,438 in the year ended December 31, 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. The majority of invested capital of \$375,170 in 2009 consists of additions to and modifications of the incinerator rental fleet. The remaining capital invested in 2009 is comprised of a service vehicle acquisition and expenditures for tools, equipment and computer hardware and software.

There were no asset dispositions in either 2010 or 2009.

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 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 years ended December 31	2010	2009
Cash, beginning of year	3,080,997	3,259,037
Cash provided by (used in):		
Operating activities	827,264	385,154
Investing activities	(38,520)	(372,373)
Financing activities	54,768	(37,498)
Effect of foreign exchange rates on cash	71,160	(153,323)
Cash, end of year	3,995,669	3,080,997

Operating Activities

Cash provided by operating activities is \$827,264 in 2010 compared to \$385,154 in 2009. The \$442,110 increase is attributable primarily to higher operating results in 2010 and to a non-cash working capital contribution of \$53,921 in 2010 as compared to a non-cash working capital deficit of \$21,022 in 2009.

Working Capital

(\$ unless otherwise noted)

As at December 31	2010	2009
Current assets	6,289,574	4,838,793
Current liabilities ⁽¹⁾	1,248,443	568,106
Working capital	5,041,131	4,270,687
Current ratio	5.0	8.5

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

Investing Activities

Cash used in investing activities in 2010 is \$38,520 compared to \$372,373 in 2009. The investing activities comprised expenditures as described in the Invested Capital section of this MD&A and the impact of capital amounts in accounts payable from prior periods.

Financing Activities

Cash provided by financing activities is \$54,768 in the year ended December 31, 2010 compared to cash used in financing activities of \$37,498 in the same period of 2009. In each year, the Company reduced the long-term debt outstanding; \$15,232 in 2010 and \$37,498 in 2009. In 2010 the Company also received combined proceeds of \$70,000 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 2011.

As at December 31, 2010, the Company has cash on deposit of \$3,995,669 as compared to \$3,080,997 at December 31, 2009. The foreign currency composition of the cash balances is described in Note 3 to the audited annual financial statements as at and for the year ended December 31, 2010. The use of cash during 2010 is described in the Financial Position and Liquidity and Capital Resources sections of this MD&A.

As at December 31, 2010, the Company has no debt 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 the end of each fiscal quarter and at December 31 in both 2009 and 2010.

Contractual Obligations and Commitments

As at December 31, 2010, the Company has the following contractual obligations and commitments:

Lease Agreements

Future minimum lease payments under operating leases for office spaces expiring March 29, 2011, September 30, 2013 and April 30, 2017, exclusive of operating costs, are estimated as follows:

2011	60,580
2012	48,000
2013	71,875
2014	71,750
2015	71,750
2016	71,750
2017	23,917
	<hr/>
	\$ 419,622

Leasehold Improvements

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

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.

Royalty Agreement

On December 23, 2008, the royalty obligation of 1.5 percent of incinerator sales payable annually to an individual at arm's length ceased. The Company and the royalty holder agreed to terminate the arrangement and replace it with an agreement whereby the Company would pay the royalty holder \$30,575 in each of 2009 and 2010. Both amounts were paid in full in each year respectively. Upon payment of the second amount, the agreement terminated and the royalty holder has no further rights and the Company has no further obligations in this regard.

Non-Derivative Financial Liabilities

At December 31, the Company has the following contractual maturities with respect to non-derivative financial liabilities:

	Maturity	2010	2009
Accounts payable and accrued liabilities	Within 1 year	\$ 852,821	\$ 348,150
Income and other taxes payable	Within 1 year	230,431	19,034
Long-term debt – Current and non-current	September 2010	-	15,232
		\$ 1,083,252	\$ 382,416

FINANCIAL INSTRUMENTS

The Company's financial instruments consist, from time to time, of cash and cash equivalents, accounts receivable, short-term debt, accounts payable, accrued liabilities and long-term debt. The carrying value of the current financial assets and liabilities of Questor approximate their fair value due to their short period to maturity. The carrying value of short-term debt approximates the fair value as it bears interest at a floating interest rate as described in Note 7 to the audited annual financial statements as and for the year ended December 31, 2010. The carrying value of long-term debt also approximates fair value as the fair value of long-term debt is estimated using discounted cash flows based on current rates of interest. The Company did not hold or issue any derivative financial instruments during the years ended December 31, 2010 and 2009.

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. These risks are described in the Business Conditions and Risk Management section of this MD&A and in Note 14 to the audited annual financial statements as and for the year ended December 31, 2010.

To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in interest rates and foreign exchange rates. However, the Company has a facility available to purchase foreign forward exchange contracts if required, as described in Note 7 to the audited annual financial statements as and for the year ended December 31, 2010.

BUSINESS CONDITIONS AND RISK MANAGEMENT

The Company is exposed to a number of business risks with the potential to affect financial performance.

Energy Industry Dynamics

The Company is subject to the risks and variables inherent in providing environmental services to the oil and gas industry. Demand for the Company's incinerator technology and other potential environmental technologies are primarily dependent upon the exploration, development and production activities of the energy industry and related capital expenditures. These activities are directly affected by factors such as oil and gas commodity prices, changes in legislation, exchange rates, the state of domestic and international

economies, alternative energy sources and other factors, many of which are beyond the control of the Company, its customers and of industry. Certain aspects of the Company's activities, particularly incinerator rentals, are at risk should sustained levels of cash flow in the energy industry not be achieved. The Company's combustion service operations are not dependent on client capital expenditures to the same extent as incinerator rental activities, thereby providing a buffer to declining industry expenditures. Also partially offsetting the preceding potential impacts is increasing environmental regulation requiring companies to seek environmental solutions or otherwise be penalized. This factor is driving demand for the Company's technology and serves as a mitigant to the economic variables previously discussed.

Proprietary Technology

The Company's success is dependent upon intellectual capital, including innovation, ideas, patents and proprietary technology. The Company relies principally upon patent and trade secret laws to protect its technology as well as non-disclosed proprietary information. There can be no assurance that these laws will be adequate to prevent third party development of the same or similar technology.

Competitive Technologies

The Company is also at risk because of the potential for other environmental technologies to make the Company's incinerator technology obsolete or for competing incinerator providers to impact on the Company's market share related to its incinerator technology. To counter the business risks and diversify the revenue base of the Company, Questor continues to focus on the establishment of international client relationships in the petroleum production and processing industry, the development of new applications for industries where Questor's proprietary technology would also prove effective and the development of compatible air quality solutions to extend Questor's product line.

Sales Sustainability

Sales of incinerators are inherently unpredictable and it is not certain the Company will replicate the number or quantum of incinerator sales in each year. The Company has directed incremental resources to the sales and marketing effort as well as entered into strategic relationships to address sales sustainability risks.

Reliance on Key Personnel

Questor's success and future operations are dependent upon the expertise, experience, abilities, judgement and efforts of senior management, key technical consultants and certain field employees of the Company. Any loss of the services of these individuals may have a material adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to the Company's technology development projects. Additionally, Questor's ability to expand its products and services is dependent upon its ability to attract additional qualified employees. The Company provides its staff with a quality working environment and competitive remuneration and, consequently, has not had any significant issues with respect to attracting and the retention of employees historically.

Financial Risk

The Company is exposed to credit risk, liquidity risk, and market price risk (interest rate and foreign exchange) as a result of holding financial instruments.

Credit Risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of accounts receivable.

Accounts receivable credit exposure is minimized by entering into transactions with creditworthy counterparties, requiring deposits for incinerator sales, requiring progress payments or letters of credit in respect of international sales and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the energy industry and are subject to normal industry credit risk.

The amounts reported for accounts receivable in the balance sheet are net of allowances for doubtful accounts and bad debts and the net carrying value represents the Company's maximum exposure to credit risk. At December 31, 2010, the accounts receivable were \$1,872,509 (2009 - \$864,260). Two customers comprise the accounts receivable amount of \$5,503 which is past due for greater than 90 days at December 31, 2010 (2009 - \$153,775 from two customers after application of the allowance for doubtful accounts).

The credit risk relating to cash balances is limited because the counterparty is a large commercial bank in Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on cash deposits, funds generated from operations, deposits received from customers in respect of a sale and credit facilities to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to finance the development of new clean air technologies or acquisitions. The Company believes it has sufficient working capital to meet future obligations as they come due, the details of which are addressed in the Liquidity and Capital Resources section of this MD&A.

Interest Rate Risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. From time to time, the Company may invest excess cash in banker's acceptances, deposits and treasury bills issued by credit worthy banking institutions or draw on its revolving demand operating loan facility to fund its operations with floating rate debt as described in Note 7 to the audited annual financial statements as and for the year ended December 31, 2010. These activities expose Questor to changes in interest receipts and payments due to fluctuations in interest rates.

The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

Foreign Exchange Risk

Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains cash balances and enters into transactions denominated in foreign currencies, principally in United States dollars, which exposes Questor to fluctuating balances and cash flows due to variations in foreign exchange rates.

At December 31, 2010, the Canadian equivalent carrying amounts of the Company's foreign currency denominated monetary assets was \$2,263,433 (2009 - \$1,788,542) and there were no foreign currency denominated monetary liabilities (2009 - \$nil). Based on the net foreign currency assets as at December 31, 2010, and assuming that all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the Canadian dollar and the foreign currency dollar would impact income (loss) before income tax expense by approximately \$113,172 (2009 - \$89,427).

To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates. However, the Company has a facility available to purchase foreign forward exchange contracts if required, as described in Note 7 to the audited annual financial statements as and for the year ended December 31, 2010.

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 each of 2009 and 2010 Questor transacted with a corporation owned by a director of the Company. In 2010, the Company purchased vehicle repairs and maintenance services at market value for \$2,391 (before HST) and, in 2009, acquired a service vehicle at market value for \$45,184 (before GST).

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

OFF-BALANCE-SHEET ARRANGEMENTS

The Company has not entered into any off-balance-sheet arrangements.

SHARE CAPITAL

The following table indicates the common shares and share options issued and outstanding at December 31, 2009 and 2010, and at April 27, 2011.

As at	April 27 2011	December 31 2010	December 31 2009
Shares issued and outstanding	24,707,370	24,707,370	24,007,370
Share options outstanding	1,625,000	1,425,000	2,175,000
Share options exercisable	781,250	712,500	1,293,750

On April 26, 2011, subject to regulatory approval, the Company issued a grant of share options to select officers entitling the purchase of up to 200,000 common shares at \$0.225 per share, exercisable for a period of five years and vesting in accordance with the provisions of the Company's share option plan. This grant is included in the table of share options outstanding as at April 27, 2011 above.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's financial statements are prepared in accordance with GAAP. Questor's significant accounting policies are described in Note 2 to the audited annual financial statements as at and for the year ended December 31, 2010. 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. The most critical of these policies with respect to estimates are those related to asset impairment assessment, share-based compensation expense, depreciation and amortization expense, and income taxes.

The following section describes the critical accounting estimates and assumptions that Questor has made and how they affect the amounts reported in the financial statements.

Asset Impairment

Questor reviews long-lived assets and intangible assets with finite lives whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Recoverability is determined based on an estimate of undiscounted future cash flows and measurement of an impairment loss is based on the fair value of the assets.

The Company believes that the accounting estimate related to asset impairment is a critical accounting estimate because it is highly susceptible to change from period to period as it requires management to make assumptions about future sales, margins and market conditions over the long-term life of the assets. The impact that recognizing an impairment would have to the Company's financial position and results of operations may be material. As at December 31, 2010, the Company determined that there were no triggering events requiring impairment analysis.

Share-Based Compensation

The Company accounts for share-based compensation in accordance with the fair value recognition provisions of GAAP. As such, share-based compensation expense for equity-settled plans is measured at the grant date based on the fair value of the award and is recognized as an expense over the vesting period. Determining the fair value of such share-based awards at the grant date requires judgment, including estimating the expected term of share options, the expected volatility of Questor's shares and expected dividends.

Share-based compensation is a critical accounting estimate because there are a number of uncertainties inherent in these estimates and changes to these assumptions could result in material adjustment to the amount of share-based compensation expense the Company charges to income.

Depreciation and Amortization

Questor performs assessments of depreciation for long-lived assets and amortization for intangible assets. When it is determined that assigned asset lives do not reflect the estimated remaining period of benefit, prospective changes are made to the depreciable lives of those assets.

Depreciation and amortization is a critical accounting estimate because there are a number of uncertainties inherent in estimating the remaining useful life of certain assets and changes in these assumptions could result in material adjustment to the amount of depreciation and amortization that the Company recognizes from period to period.

Income Taxes

The Company is subject to specialized rules prescribed under the Income Tax Act (Canada), as well as local tax rules applicable to foreign transactions, for purposes of determining the amount of the Company's income that will be subject to tax in Canada. Accordingly, the Company's provision for income taxes involves the application of these complex rules in respect of which alternative interpretations may arise. If management's interpretation of tax legislation differs from that of local tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods.

CHANGES IN ACCOUNTING POLICIES

Recent Accounting Pronouncements

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

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed transition timing for publicly accountable enterprises in Canada to adopt International Financial Reporting Standards ("IFRS"). Accordingly, the Company will be required to adopt IFRS on January 1, 2011, with restatement for comparative purposes of amounts reported by the Company for the fiscal year beginning January 1, 2010.

The International Accounting Standards Board ("IASB") has several projects scheduled for 2011 that may affect the Company's transition to IFRS and its financial statements. Questor is required to comply with IFRS up to and including the date of its first annual financial statement which is December 31, 2011. 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 Company has substantially completed the assessment and quantification of the impact of IFRS on its opening balance sheet as at January 1, 2010 and is in the process of having its external auditors review managements' conclusions and calculations. The Company is also in the process of quantifying the impact on

balances to December 31, 2010. Subsequent to these activities, the transition adjustments will be presented to the Company's Audit and Governance Committee for approval. The analysis and approval process will be completed prior to the issuance of the first quarter 2011 interim report. The reconciliation between Canadian GAAP and IFRS will be presented during 2011, commencing with this first quarter 2011 interim report.

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.

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.

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. IAS 36 specifies that impairment testing is required where indicators of impairment are present. As at January 1, 2010, the Company has determined there are no such indicators. The anticipated financial statement impact then, if any, will be to 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.

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. In addition, all deferred tax assets and liabilities are treated as long-term on the balance sheet whereas the Canadian GAAP approach is to allocate between current and long-term. The Company is continuing to assess the potential financial statement impact of IFRS income tax principles on transition.

Presentation and disclosure

Certain standards under IFRS require significantly more disclosure than under Canadian GAAP. This will have a meaningful impact on the Company in terms of data collection and reporting processes and resources to

meet the disclosure requirements. Notwithstanding these impacts, the transition to IFRS is not anticipated to materially affect the Company's disclosure controls and procedures and internal controls over financial reporting. Further, the necessary modifications to information technology and data systems are expected to be minimal.

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 years ended December 31	2010	2009
Gross margin	2,046,578	1,317,229
Add: Other revenue	55,036	102,608
Deduct: General and administrative expense	1,376,256	1,374,672
Foreign exchange loss	50,551	100,205
Depreciation and amortization expense	16,564	41,090
Interest expense	1,012	3,472
Income tax expense	231,334	2,361
Net income (loss) (GAAP financial measure)	425,897	(101,963)

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 years ended December 31	2010	2009
EBITDA	801,271	66,042
Deduct: Depreciation and amortization expense (including portion in direct costs)	143,028	162,172
Interest expense	1,012	3,472
Income tax expense	231,334	2,361
Net income (loss) (GAAP financial measure)	425,897	(101,963)

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 years ended December 31	2010	2009
Income (loss) before interest expense and income tax expense	658,243	(96,130)
Deduct: Interest expense	1,012	3,472
Income tax expense	231,334	2,361
Net income (loss)		
(GAAP financial measure)	425,897	(101,963)

Income (loss) before interest expense and income tax expense is a measure of the Company's operating profitability generated by the Company's principal business activities prior to how these activities are financed or results are taxed. Income 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 Operations

(\$ unless otherwise noted)

For the years ended December 31	2010	2009
Funds generated from operations	773,343	406,176
Net change in non-cash working capital	53,921	(21,022)
Cash provided by operating activities		
(GAAP financial measure)	827,264	385,154

Funds generated from operations is used to assist management and investors in analyzing operating performance, after interest and taxes, without regard to the impact of foreign exchange gains or losses to cash and to changes in the Company's non-cash working capital in the period. Funds generated from 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 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 and foreign exchange loss (gain) on cash.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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