
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, 2008 compared to the year ended December 31, 2007. This MD&A dated April 28, 2009 should be read in conjunction with the accompanying audited annual financial statements and notes thereto of Questor for the year ended December 31, 2008.

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 Proxy 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.

BUSINESS OVERVIEW

The Company

Questor is an international environmental oil field 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 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 clients. Questor is recognized for its particular expertise in the combustion of sour gas (H₂S). While the Company's current client 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.

Vision

Questor's vision is to be a leading provider of safe, reliable, efficient and adaptable environmental solutions relating to air quality and to contribute directly to the sustainable development, economic and social performance of our customer's operations.

Market Opportunities

The World Bank-led Global Gas Flaring Reduction partnership estimates that globally at least 14.5 billion cubic feet per day of natural gas are being flared or burned, the equivalent of daily natural gas production in Canada.

This is a significant waste of a valuable non-renewable energy resource and harms the environment by adding about 400 million tonnes of carbon dioxide ("CO₂") in annual emissions. The U.S. Environmental Protection Agency ("EPA") estimates that over 9.6 billion cubic feet per day of methane is vented or lost through fugitive methane emissions in the oil and gas sector. As the global warming potential of methane is 21 times as potent a greenhouse gas as CO₂, this adds the equivalent of over 1 billion tonnes of carbon dioxide annually. Altogether, this is more than twice the potential yearly emission reductions from projects currently submitted under the Kyoto mechanisms.

Part of the solution to global climate change, then, is reducing natural gas flaring, methane venting and fugitive emissions from oil and natural gas production. Governments worldwide are developing policies, enacting legislation and enforcing regulations to address air quality issues precipitated by natural gas flaring, venting and fugitive emissions. Regulated operators are actively considering clean air technologies to reduce their environmental footprint, manage their corporate liability and build sustainable development protocols.

The increasing convergence of social, political, economic and legislative forces directed to global climate change creates a unique business opportunity for Questor. The Company's patented incineration process burns waste gas cleanly in a controlled, closed chamber with 99.99% combustion efficiency. And while this process still means 'burning' natural gas, it is an improvement to flaring because of the combustion and energy efficiency characteristics and the opportunity to recover waste heat to convert to energy.

The market potential for Questor's technology is significant. In the North American oil and gas sector alone there are currently more than 10,800 solutions gas flares in Alberta and over 30,000 in the U.S. Converting only 10 percent of the flares to incineration would generate in excess of \$400 million of sales revenue.

The Company's products are increasingly viewed as best in class because of their quality, reliability and effectiveness. This, coupled with engineering expertise and knowledge, enables the Company to understand and adapt solutions to the customer's business needs in the core competency areas of incineration and combustion services.

Business Strategy

To capitalize on the market opportunities presented, Questor's strategic priorities are to:

- Form strategic alliances to leverage market exposure and resources, increase value chain opportunities and manage risk;
- Expand internationally and to other industries where Questor's proprietary technology would prove effective in order to garner markets for existing product offerings;
- Develop and market new applications, particularly as it relates to waste heat recovery and SO₂ emission capture; and
- Build corporate influence, brand awareness and marketing resources to increase incinerator sales and rentals.

2008 Operational Highlights

Relative to the strategic priorities, the following selected indicators and achievements demonstrate Questor's progression in 2008:

- Successfully commissioned the well testing incinerators for China Petrochemical International Company Ltd. ("SINOPEC"). This project firmly establishes Questor as an industry leader in the handling of critically sour gas and complex applications for clients who want to adopt best practices in an economic and environmentally responsible manner.

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- Completed its first landfill project and continued its collaborative effort with CrystaTech, Inc., to develop a portable, cost effective solution to remove hydrogen sulfide from waste gas streams and convert it to liquid sulphur which would reduce sulphur dioxide emissions. These efforts are consistent with Questor's strategic pursuit of alternate markets for application of its technology.
 - Entered into a strategic arrangement with Natco Group Inc. ("Natco") to market and fabricate Questor's products for the United States market. Questor's strategic relationship with Natco is providing a strong base upon which to capitalize on the U.S. market opportunity.
 - Established marketing arrangements with Ramsay Machine Works Ltd. and EMCS Industries Ltd., both headquartered in Sidney, British Columbia, for the purpose of targeting industries such as the oil sands, offshore oil and gas platforms, solid waste treatment, waste water treatment and landfills, all of whom would benefit from Questor's technology;
 - Executed an agreement with Terra Verde Emissions Credits Inc. to develop the protocol methodology and sale of the greenhouse gas credits/offsets in Alberta generated from the use of Questor's proprietary incinerator technology.
 - Built market awareness and influence of Questor's expertise and environmental perspectives relating to air quality by presenting at several conferences worldwide, among them:
 - "Environmental Challenges and Innovations Conference" sponsored by the Texas Association of Environmental Professionals in Houston, Texas, USA in February 2008;
 - The "China National Science and Technology Sulphur Forum" in Dazhou, China in April 2008;
 - The "Canadian Sour Gas Forum" presented by inSIGHT in Calgary, Alberta in December 2008; and
 - "Global Forum on Flaring Reduction and Natural Gas Utilization" organized by the World Bank Group as a leading partner in the Global Gas Flaring Reduction partnership, along with the U.S. Environmental Protection Agency's Natural Gas STAR Program, Methane to Markets Partnership, and the International Association of Oil & Gas Producers in Amsterdam, The Netherlands in December 2008.
 - Achieved recognition of Questor's continued growth when selected for the following awards:
 - One of the "2008 TSX Venture 50", a ranking of the top 10 public venture capital companies in each of five major industry sectors – mining, oil and gas, technology and life sciences, diversified industries and clean technology. Questor ranked second in the clean technology category;
 - One of the 2009 Fast Growth 50 chosen by Alberta Venture magazine. Questor ranked third in the top 25 fastest growing companies with revenue under \$20 million; and
 - One of three finalists in the New Exporter category of the inaugural Alberta Export Awards held by the Alberta division of Canadian Manufacturers and Exporters.

Outlook

Questor is positioned to deliver positive results in 2009 despite the challenging economic environment. Beginning in the latter half of 2008 and continuing into 2009 the Company is experiencing increased demand for its products and services from both domestic and international clients stimulated, in part, by the Company's marketing efforts, a heightened corporate focus on sustainable development and a continuing social and political focus on air quality, health impacts, greenhouse gas emissions and climate change concerns. As regulations are introduced worldwide and a low-carbon economy emerges, companies are actively seeking innovation and technological solutions to what will otherwise be an untenable corporate liability. These events present a significant and growing market opportunity for Questor as the Company's incinerator technology is a viable alternative to flaring and venting resulting in regulatory compliance, environmental protection, public confidence, energy efficiency with the potential generation of greenhouse gas credits and lower operating costs.

At the end of December 31, 2008, the Company had nearly \$18 million of bids outstanding pending completion of the tender process and notification of the clients' purchase decision. As at the date of this MD&A, Questor has responded to an additional \$12 million requests for proposals. In Questor's experience, the timing of final determination by the client varies significantly and may be as little as a few weeks and as long as several months and the number of these bids that will ultimately be successful by Questor is not determinable.

At the end of 2008, approximately \$0.9 million of revenue is unrecognized relating to units ordered in 2008 for delivery in 2009. Completion of sale and revenue recognition will occur in the first half of 2009 when these units are delivered. Subsequent to December 31, 2008 and up to the date of this MD&A, the Company has received additional sales orders equivalent to \$0.9 million for which the revenue will be recorded later in the year when the units are delivered.

Demand for Questor's technology in the United States market remains strong for the foreseeable future based on high development activity and the introduction of stringent environmental regulations. Environmental stewardship is an issue upon which President Obama has placed importance, thereby further emphasizing the growing demand for technology to address environmental concerns. Questor's technology provides a practical means for clients to meet the emission and air quality regulations. Questor's access to the U.S. market opportunity benefits from its strategic relationship with Natco. The Company is also actively seeking other strategic relationships to capitalize on this large and growing market.

The Company has been invited to commence technical discussions in Asia regarding other opportunities to apply Questor's technology following the successful commissioning and start-up of the well test incinerators for SINOPEC in China. Questor also continues to develop additional international markets with a current focus on the Middle East.

Consistent with the Company's strategic plan, markets beyond the oil and gas sector are being pursued. Questor successfully completed its first landfill project in 2008 and anticipates this experience will create additional opportunities for the Company to apply its technology in this manner worldwide. The Company is also committed to developing compatible air quality solutions and, to that end, continues to investigate the commercialization of waste heat recovery and its conversion to power. Questor is currently in discussion with numerous clients regarding opportunities to generate carbon credits.

Questor is well-positioned to weather this period of financial and commodity market uncertainty due to its strong capitalization, sales order flow, contracted utilization of the rental fleet and full deployment of the combustion services division. Market uncertainties have provided opportunities for Questor to reduce incinerator fabrication costs and to find quality people to help the Company grow. Today's reality is the public demands environmental stewardship and regulators and industry continue to be pressured to demonstrate leadership in this arena.

FINANCIAL RESULTS

Questor's financial information and the related discussion of financial results in the MD&A are for the years ended December 31, 2008 and December 31, 2007.

Financial Results Summary

(\$ unless otherwise noted)

For the years ended December 31	2008	2007
Total revenue	4,471,151	9,232,277
Gross margin ⁽¹⁾	1,397,753	4,145,691
EBITDA ⁽¹⁾	1,142,505	3,152,650
Income before interest expense and income tax expense ⁽¹⁾	991,385	3,000,325
Net income	628,056	1,977,383
Funds generated from operations ⁽¹⁾	836,619	3,084,406
Cash provided by operating activities	330,459	3,351,591
Total assets	6,773,058	5,846,558
Long-term liabilities	72,517	53,206
Shares outstanding (thousands) ⁽²⁾		
Basic	23,830	23,740
Diluted	24,492	24,905
Net income per share – Basic	\$ 0.026	\$ 0.083
Net income per share – Diluted	\$ 0.026	\$ 0.079

(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 Year Ended December 31, 2008

Net income

Net income for the year ended December 31, 2008 was \$628,056 (\$0.026 per basic share) compared to net income of \$1,977,383 (\$0.083 per basic share) for the year ended December 31, 2007. 2007 was an outstanding year for Questor and the net income variance is primarily attributable to a significant incinerator sales contract completed in the third quarter of 2007, the magnitude of which was not repeated in 2008. To a much lesser extent, lower incinerator rentals and services revenue and higher general and administrative expenses in 2008 also contributed to the change on a comparative basis. The net income variance was partially mitigated by foreign exchange gains, lower income tax expense and higher other revenue.

Total Revenue

Total revenue for 2008 was \$4,471,151 compared to \$9,232,277 for 2007, a change of \$4,761,126. Revenue decreased by \$5,129,546 principally as a result of differences in the incinerator sales and service volume and mix between the two years, combined with lower overall utilization of the incinerator rental fleet and decreased interest income stemming from lower investment levels and interest rates in the last half of 2008 compared to the same period in 2007. A material contract to provide incinerators was completed in third quarter 2007 for which a comparable sale did not occur in 2008. Without the impact of this one contract, revenue for the year ended December 31, 2008 is two times higher than the revenue achieved in 2007. Contrasted with total revenue for 2006, 2008 total revenue was higher by \$1.2 million. These revenue variances were partially offset by higher combustion services and parts sales of \$263,279, a contract cancellation fee of \$67,623 and government assistance received in the form of a Scientific Research and Experimental Development investment tax credit of \$37,518. The Company's accounting policy is to recognize revenue when the product

has been delivered or the services have been performed. Consequently, approximately \$0.9 million of revenue attributable to incinerator sales orders received during the third and fourth quarter of 2008 will not be reflected in the results until delivery occurs in the first half of 2009.

Direct costs

For the year ended December 31, 2008, the Company reported a gross margin of \$1,397,753 compared to a gross margin of \$4,145,691 for the year ended December 31, 2007. Direct costs of \$2,818,502 in 2008 were lower by \$2,178,022 compared to 2007. This variance is primarily due to the direct costs associated with differences in the incinerator sales and volume mix and, to a much lesser extent, the variable direct costs associated with combustion services. The margin is somewhat distorted by the net gain of \$98,269 realized on the disposition of assets in second quarter 2008 as this was effectively an incinerator sale but is included in other revenue rather than operating revenue.

General and administrative expense

General and administrative expense was \$1,328,469 for 2008 compared to \$987,880 for 2007. The \$340,589 increase was principally attributable to higher employee costs of \$222,527 due to increased staffing and which are inclusive of higher non-cash share-based compensation expense of \$59,739, incremental engineering consulting and accounting services of \$37,236, higher minimum lease payments for office space of \$32,190 and bad debt expense of \$64,314, partially offset by lower insurance premiums of \$15,512 and other miscellaneous amounts.

Foreign exchange gains and losses

Foreign exchange gains of \$707,664 were recorded in 2008 compared to foreign exchange losses of \$211,709 in 2007. The foreign exchange gains arose from cash and transactions denominated in foreign currencies, principally in United States dollars, which strengthened, on average, during 2008 relative to the Canadian dollar.

Depreciation and amortization

Depreciation and amortization expense for the year ended December 31, 2008 was \$151,120 compared to \$152,325 in 2007. Depreciation expense of \$110,661 and \$116,486 for the years ended December 31, 2008 and 2007, respectively, relating to rental incinerators, service vehicles and equipment has been included in direct costs. Depreciation expense was relatively flat year-over-year as additions to and dispositions of property and equipment were reasonably equivalent during the year.

Interest expense

Interest expense for the year ended December 31, 2008 was \$7,212 compared to \$22,755 for the same period in 2007. In 2007, the amount of interest-bearing debt, the time period during which it was outstanding and the interest rates were all higher than those same parameters applicable to debt drawn during 2008.

Income tax expense

Income tax expense for 2008 is comprised of current income tax expense of \$391,328 and a non-cash future income tax recovery of \$35,211 compared to a current income tax expense of \$131,502 and a non-cash future income tax expense of \$868,685 in 2007. The current income tax expense includes \$140,393 attributable to the tax effect of a revenue holdback in 2007 and a revision to the estimated income taxes payable for 2007. The lower overall income tax expense in 2008, after normalizing for the preceding, is a result of lower taxable income and a lower effective tax rate as compared to 2007.

Discussion of Financial Results for the Three Months Ended December 31, 2008

Net income

Net income for the three months ended December 31, 2008 was \$576,668 (\$0.024 per basic share) compared to net income of \$106,391 (\$0.004 per basic share) for the three months ended December 31, 2007. The net income increase is primarily the result of differences in the incinerator sales and service volume and mix between the periods combined with a foreign exchange gains, partially offset by lower other revenue and higher income tax expense and general and administrative expense.

Total Revenue

Total revenue for fourth quarter 2008 was \$2,084,956 compared to \$1,017,015 for the same period in 2007, a change of \$1,067,941. Excluding the impact of revenue recognition in fourth quarter 2007 of \$348,074 relating to a revenue holdback, revenue increased by \$1,370,616 as a result of differences in the incinerator sales and services mix and volume quarter-over-quarter and by higher combustion services revenue of \$181,395. The revenue variance was partially offset by lower incinerator rentals and services revenue of \$66,191 and other revenue of \$69,805. The other revenue decrease was the result of reclassifying a Scientific Research and Experimental Development investment tax credit of \$59,121 to capitalized development costs and lower interest income of \$21,457 given lower investment levels and interest rates in fourth quarter 2008 compared to the same period in 2007, partially offset by a \$19,131 Scientific Research and Experimental Development investment tax credit received. Questor's accounting policy is that revenue is recognized only upon product delivery or performance of services. Consequently, approximately \$0.3 million of revenue attributable to incinerator sales orders received in fourth quarter 2008 will not be reflected in the results until delivery occurs in the first half of 2009.

Direct costs

For the three months ended December 31, 2008, the Company reported a gross margin of \$791,493 compared to a gross margin of \$449,318 for the same period of 2007. Direct costs of \$1,325,072 in fourth quarter 2008 were lower by \$795,572 compared to fourth quarter 2007. This variance is primarily due to the direct costs associated with differences in the incinerator sales and volume mix and, to a lesser extent, the variable direct costs associated with combustion services.

General and administrative expense

General and administrative expense was \$379,969 for the three months ended December 31, 2008 compared to \$299,533 for the three months ended December 31, 2007. The \$80,436 increase was principally attributable to bad debt expense of \$64,275 recorded in fourth quarter 2008.

Foreign exchange gains and losses

Foreign exchange gains of \$503,281 were recorded in fourth quarter 2008 compared to foreign exchange losses of \$31,175 in 2007. The foreign exchange gains arose from cash and transactions denominated in foreign currencies, principally in United States dollars, which strengthened during fourth quarter 2008 relative to the Canadian dollar.

Depreciation and amortization

Depreciation and amortization expense for the three months ended December 31, 2008 was \$35,842 compared to \$45,031 in the same period of 2007. Depreciation expense of \$26,663 and \$36,657 for the quarters ended December 31, 2008 and 2007, respectively, relating to rental incinerators, service vehicles and equipment has been included in direct costs. In fourth quarter 2007, a one-time adjustment of \$10,229 to the rental incinerator depreciation expense was recorded. Excluding this adjustment, depreciation and amortization expense were relatively unchanged quarter-over-quarter.

Interest expense

Interest expense for the three months ended December 31, 2008 was \$916 compared to \$3,082 for the same period in 2007. In fourth quarter 2007, the amount of interest-bearing debt, the time period during which it was outstanding and the interest rates were all higher than those same parameters applicable to debt drawn during fourth quarter 2008.

Income tax expense

Income tax expense for fourth quarter 2008 is comprised of current income tax expense of \$353,617 and a non-cash future income tax recovery of \$57,183 compared to a current income tax recovery of \$23,563 and a non-cash future income tax expense of \$62,523 in 2007. The current income tax expense includes \$140,393 attributable to the tax effect of a revenue holdback in 2007 and a revision to the estimated income taxes payable for 2007. The higher overall income tax expense in 2008, after normalizing for the preceding, is a result of higher taxable income, slightly offset by a lower effective tax rate, as compared to fourth quarter 2007.

SUMMARY OF EIGHT MOST RECENTLY COMPLETED QUARTERS

<i>(in \$ thousands except per share amounts)</i>	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Total revenue	2,085	1,373	387	626	1,017	6,925	330	960
Gross margin	792	530	(27)	103	449	3,278	(0)	419
Income (loss) before interest expense and income tax expense	874	380	(200)	(63)	148	2,844	(190)	198
Net income (loss)	577	286	(170)	(65)	106	1,884	(141)	128
Net income (loss) per share								
Basic	0.03	0.01	(0.01)	(0.00)	0.00	0.08	(0.01)	0.01
Diluted	0.03	0.01	(0.01)	(0.00)	0.00	0.08	(0.01)	0.01

A number of factors contribute to variations in the Company's quarterly results: customer capital spending as it is affected by oil and gas commodity prices; changes in legislation; seasonality; the Company's mix of product and service offerings; and the relative size of sales and the timing of revenue recognition.

FINANCIAL POSITION

The following table outlines the significant changes in the balance sheets of Questor from December 31, 2008 to December 31, 2007.

Balance sheet item	\$ Increase (decrease)	Explanation
Cash and cash equivalents	505,040	The increase was primarily a result of a strengthening of foreign currencies, particularly United States dollars, relative to the Canadian dollar during the year, partially offset by repayment of debt. See also the discussion in the Liquidity and Capital Resources section of this MD&A.
Accounts receivable	705,107	The increase was due primarily to the timing of revenue generating activities in fourth quarter 2008 compared to fourth quarter 2007 and the impact of strengthening foreign currencies to foreign currency denominated amounts. As at December 31, 2008, Questor had established an allowance for doubtful accounts provision of \$65,966.
Inventory	(141,487)	The decrease was related to the higher number of incinerator units in the finished goods inventory at December 31, 2007 which were slated for delivery in first and second quarter 2008, partially offset by the higher number of incinerators being fabricated as at December 31, 2008.
Property and equipment	(123,148)	The decrease principally reflects depreciation recorded during 2008. The disposition of assets in second quarter 2008 was completely offset by capital additions during the year.

Balance sheet item	\$ Increase (decrease)	Explanation
Accounts payable and accrued liabilities	166,478	The increase was reflective of the composition and timing of business at the end of each period.
Short-term debt	(191,186)	The decrease was due primarily to the repayment of short-term borrowings from asset disposition proceeds and reduced working capital funding requirements in 2008.
Income and other taxes payable	170,088	The increase is principally attributable to taxes payable relating to a revenue holdback in 2007, a revision to the estimated income taxes payable for 2007 and higher PST payable.
Contributed surplus	143,202	The increase was due to share-based compensation expense recorded in the period, partially offset by amounts transferred to share capital upon exercise of share options.

INVESTED CAPITAL

During 2008 Questor acquired \$36,954 of plant and equipment, down from \$157,222 in 2007. The asset acquisitions in 2008 were predominantly computer hardware related, followed by lesser investments in tools, marketing products and an improvement to a rental incinerator. During 2007, additions to the incinerator rental fleet and the acquisition of a service vehicle account for the majority of invested capital, supplemented by expenditures for office equipment and computer hardware and partially offset by the receipt of a \$1,415 cash rebate associated with an earlier vehicle purchase.

The only disposition occurring in either 2008 or 2007 transpired in second quarter 2008 when the Company sold an incinerator from the rental fleet with a net book value of \$37,980.

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 2009 funds generated from operations and current cash amounts will be sufficient to meet budgeted operating requirements and meet its anticipated capital requirements.

Cash Flows

(\$ unless otherwise noted)

For the years ended December 31	2008	2007
Cash and cash equivalents, beginning of year	2,753,997	29,186
Cash provided by (used in):		
Operating activities	330,459	3,351,591
Investing activities	88,070	(88,857)
Financing activities	(230,595)	(295,404)
Effect of exchange rates on cash	317,106	(242,519)
Cash and cash equivalents, end of year	3,259,037	2,753,997

Operating Activities

Cash provided by operating activities was \$330,459 in 2008 compared to \$3,351,501 in 2007. The decrease was primarily attributable to lower operating results, the effect of foreign exchange gains and losses to cash and the non-cash working capital deficit of \$189,054 in 2008 compared to a non-cash working capital contribution of \$24,666 in 2007.

Working Capital

(\$ unless otherwise noted)

For the years ended December 31	2008	2007
Current assets	5,521,274	4,441,723
Current liabilities ⁽¹⁾	1,109,575	789,832
Working capital	4,411,699	3,651,891
Current ratio	5.0	5.6

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

Investing Activities

Cash provided by investing activities in 2008 was \$88,070 compared to cash used in investing activities of \$88,857 in 2007. The investing activities comprised expenditures as described in the Invested Capital section of this MD&A and capital amounts in accounts payable from prior periods. During second quarter 2008, the Company sold an incinerator from its rental fleet with a net book value of \$37,980 for gross proceeds of \$139,733 thereby contributing to the cash provided by investing activities.

Financing Activities

Cash used in financing activities was \$230,595 in 2008 compared to \$295,404 in 2007. In each year, the Company reduced the credit facilities and long-term debt outstanding at that time, \$251,845 in 2008 and \$319,654 in 2007. In third quarter 2007, \$66,977 of new vehicle financing increased long-term debt balances. Proceeds from share option exercises in each year were applied to debt reduction.

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 2009.

As at December 31, 2008, the Company had cash on deposit and cash equivalents of \$3,259,037 as compared to cash balances of \$2,753,997 at December 31, 2007. 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, 2008. The use of cash during 2008 is described in the Financial Position section of this MD&A.

As at December 31, 2008, the Company had total debt outstanding of \$52,730, down from \$304,575 at December 31, 2007. The long-term debt at December 31, 2008 was comprised solely of vehicle financing.

On November 14, 2008, the Company issued a USD \$329,428 irrevocable letter of guarantee under its revolving foreign letter of credit/letter of guarantee facility as security to the beneficiary during the warranty period associated with an incinerator sale. This letter of guarantee expired on March 26, 2009.

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. In 2008 Questor was in compliance with these covenants at the end of each fiscal quarter and at December 31.

In January 2008, the Company obtained 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

As at December 31, 2008, the Company has the following contractual obligations and commitments:

Long-term Debt

The long-term debt consists of vehicle financing with the following payments remaining:

2009	\$	37,498
2010		15,232
		\$ 52,730

Lease Agreement

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

2009	\$	100,080
2010		100,080
2011		60,120
2012		46,800
2013		35,100
		\$ 342,180

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 will pay the royalty holder \$30,575 in each of 2009 and 2010. Upon payment of the second amount, the agreement will terminate and the royalty holder will have no further rights and the Company will have no further obligations in this regard.

The effect of the preceding is such that the Company recorded a liability of \$61,150 (2007 - \$nil) and incurred \$1,415 of royalty expense which was charged to direct costs in 2008 (2007 - \$51,109).

FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

The Company is exposed to market risk and potential loss from changes in the value of financial instruments.

Fair Value

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 at and for the year ended December 31, 2008. 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 assesses quarterly if there should be any impairment of the financial assets of the Corporation. At December 31, 2008 there was no impairment required on any of the financial assets of the Company.

Credit Risk and Economic Dependence

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 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. Payment terms with customers are 30 days from invoice date however industry practice can extend these terms.

Revenue from the top ten customers represented 81.7 percent of the Company's total revenue in 2008 (2007 – Top ten customers represented 90.9 percent). Revenue from one customer represented 38.1 percent of the Company's total revenue in 2008 (2007 – One customer represented 75.4 percent).

One customer represented 43.1 percent of the Company's accounts receivable at December 31, 2008 (2007 – One customer represented 30.6 percent). This counterparty is a leading provider of wellhead process equipment, systems and services used in the production of oil and gas with an investment grade rating. As at the date of this MD&A, the Company has collected 80 percent of the amounts owing from this customer.

In December 2008, a customer filed for court protection under the Companies' Creditors Arrangement Act (CCAA) and Questor's exposure at the time was \$30,464. This amount is included in allowance for doubtful accounts. The Company also provided an additional \$35,502 for credit risk with one other counterparty in the allowance for doubtful accounts. The total allowance for doubtful accounts as at December 31, 2008 is \$65,966. The Company will continue to pursue recovery of these amounts.

As at December 31, 2008, 7.6 percent of the Company's trade accounts receivable balances were greater than 90 days past due, with two customers representing 80.7 percent of this amount (2007 - 14.2 percent was greater than 90 days past due, with two counterparties representing 74.4 percent). As at the date of this MD&A, \$111,754 remains uncollected.

The credit risk on cash and cash equivalent 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.

At December 31, 2008, the Company has the following contractual maturities with respect to non-derivative financial liabilities:

	Maturity	December 31 2008
Accounts payable and accrued liabilities	Within 1 year	\$ 667,792
Income and other taxes payable	Within 1 year	285,795
Long-term debt – current and non-current	September 2010	52,730
		\$ 1,006,317

Market Risk

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 change in market interest rates. The Company draws on its revolving demand operating loan facility to fund its operations with floating rate debt which exposes Questor to changes in interest 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 and cash equivalent balances and enters into transactions denominated in foreign currencies, principally in United States dollars and Euros, which exposes Questor to fluctuating balances and cash flows due to variations in foreign exchange rates.

As at December 31, 2008, \$853,788 of the Company's accounts receivable was denominated in United States dollars (2007 – \$501,955) and none (2007 – \$106,486) were denominated in Euros.

As at December 31, 2008, 6 percent of the Company's accounts payable and accrued liabilities were denominated in foreign currencies (2007 – 9.3 percent).

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 it (described in Note 7 to the audited annual financial statements as at and for the year ended December 31, 2008) to purchase forward foreign exchange contracts if required.

BUSINESS 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. 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 (see discussion in Business Overview – 2008 Operational Highlights) to address sales sustainability risks.

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. There were no related party transactions in 2008. In 2007, Questor acquired a service vehicle for \$57,140 from a corporation owned by a director of the Company.

There were no amounts owing from or to related parties included in accounts receivable and accounts payable and accrued liabilities at December 31, 2008 or December 31, 2007.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company is not party to any off-balance-sheet arrangements as at December 31, 2008.

SHARE CAPITAL

As at	April 28 2009	December 31 2008	December 31 2007
Shares issued and outstanding	24,007,370	24,007,370	23,794,870
Share options outstanding	1,775,000	1,775,000	2,137,500
Share options exercisable	862,500	843,750	812,500

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008 the Company adopted the new Canadian Institute of Chartered Accountants (“CICA”) Handbook accounting requirements for Section 1400 “General Standards of Financial Statement Presentation”, Section 1535 “Capital Disclosures”, Section 3031 “Inventories”, Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”. In accordance with the transitional provisions for these new standards, these policies were adopted prospectively and without restatement of prior periods.

General Standards of Financial Statement Presentation

CICA Handbook Section 1400, “General Standards of Financial Statement Presentation”, includes requirements to assess and disclose the Company’s ability to continue as a going concern. The adoption of this new Section had no material impact on the financial statements.

Capital Disclosures

CICA Handbook Section 1535 “Capital Disclosures” requires the disclosure of qualitative and quantitative information about the Company’s objectives, policies and processes for managing capital. This disclosure is provided in Note 13 to the audited annual financial statements as at and for the year ended December 31, 2008.

Inventories

CICA Handbook Section 3031 “Inventories” provides more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing and expands the disclosure requirements to increase transparency. This change had no effect on the financial position of the Company.

Financial Instruments – Disclosures and Presentation

CICA Handbook Sections 3862 and 3863 prescribe the requirements for disclosure and presentation of financial instruments. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity’s financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The relevant disclosures are provided in Note 14 to the audited annual financial statements as at and for the year ended December 31, 2008.

Future Accounting Changes

International Financial Reporting Standards (IFRS)

In February 2008 the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants (“CICA”) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and will require restatement of comparative figures. The Company plans to adopt IFRS according to the schedule recommended by the AcSB. The Company expects that the adoption of IFRS will impact accounting policies, financial reporting, information systems and business processes. Questor is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position, results of operations and disclosures is not reasonably determinable or estimable. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as process and systems changes that may be necessary.

Goodwill and Intangible Assets

In February 2008, the AcSB issued Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. The purpose of this Section is to provide more specific guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. The Section harmonizes Canadian standards with International Financial Reporting Standards and applies to annual and interim financial statements relating to fiscal years

beginning on or after October 1, 2008. Accordingly, these new Sections are effective for the Company beginning January 1, 2009 and are not expected to have a material impact to the Company's results of operations and financial position.

Business Combinations

In January 2009, the AcSB 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 disclosure. 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 effect on the Company's results of operations or financial position.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the AcSB 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 or financial position.

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 annual 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 2008 audited financial statements included in the Company's 2008 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. The most critical of these policies with respect to estimates are those related share-based compensation expense, depreciation and amortization expense and asset impairment assessment and future 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.

Share-Based Compensation

The Company accounts for share-based compensation in accordance with the fair value recognition provisions of Canadian 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.

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, 2008, the Company determined that there were no triggering events requiring impairment analysis.

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	2008	2007
Gross margin	1,397,753	4,145,691
Add: Other revenue	254,896	90,062
Deduct: General and administrative expense	1,328,469	987,880
Foreign exchange loss (gain)	(707,664)	211,709
Depreciation and amortization expense	40,459	35,839
Interest expense	7,212	22,755
Income tax expense	356,117	1,000,187
Net income (GAAP financial measure)	628,056	1,977,383

Gross margin is a measure of the Company's operating profitability. Gross margin provides an indication of the results generated by the Company's principal business activities before corporate activities and costs and prior to accounting for how these activities are financed, assets are amortized or how the results are taxed. Gross margin is calculated from the Statements of Income, Comprehensive Income and Retained Earnings (Deficit) and is defined as revenue less direct costs.

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

For the years ended December 31	2008	2007
EBITDA	1,142,505	3,152,650
Deduct: Depreciation and amortization expense (including portion in direct costs)	151,120	152,325
Interest expense	7,212	22,755
Income tax expense	356,117	1,000,187
Net income (GAAP financial measure)	628,056	1,977,383

EBITDA is also a measure of the Company's operating profitability. EBITDA provides an indication of the results generated by the Company's principal business activities prior to accounting for how these activities are financed, assets are amortized or how the results are taxed. EBITDA is calculated from the Statements of Income, Comprehensive Income and Retained Earnings (Deficit) and is defined as gross margin plus other revenue less general and administrative expense and foreign exchange losses (gains).

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

For the years ended December 31	2008	2007
Income before interest expense and income tax expense	991,385	3,000,325
Deduct: Interest expense	7,212	22,755
Income tax expense	356,117	1,000,187
Net income (GAAP financial measure)	628,056	1,977,383

Income before interest expense and income tax expense is a measure of the Company's operating profitability generated by the Company's principal business activities prior to how these activities are financed or results are taxed. Income before interest expense and income tax expense is calculated from the Statements of Income, Comprehensive Income and Retained Earnings (Deficit) and is defined as gross margin plus other revenue less general and administrative expense, foreign exchange losses (gains) and depreciation and amortization.

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

For the years ended December 31	2008	2007
Funds generated from operations	836,619	3,084,406
Net change in non-cash working capital	(189,054)	24,666
Foreign exchange loss (gain) on cash	(317,106)	242,519
Cash provided by operating activities (GAAP financial measure)	330,459	3,351,591

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 (used in) operating activities, or other cash flow measures calculated in accordance with GAAP. Funds generated from operations is calculated from the Statements of Cash Flows and is defined as cash provided by (used in) operating activities before changes in non-cash working capital 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 disclosure controls and procedures as well as internal controls over financial reporting as of December 31, 2007, and thereafter. Since Questor is a Venture Issuer it is required to file "basic certificates", which it has done for each fiscal quarter in 2008 and for the year ended December 31, 2008.

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 will continue 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 President and Chief Executive Officer and the Chief Financial Officer and Corporate Secretary as appropriate, to allow timely decisions and actions regarding required disclosure. The Company will also endeavour to establish and maintain adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

SUBSEQUENT EVENTS

On May 1, 2009, subject to regulatory approval, the Company will issue a grant of share options to select officers, employees and contractors entitling the purchase of up to 400,000 common shares at \$0.25 per share, exercisable for a period of five years and vesting in accordance with the provisions of the Company's share option plan.