



(TSX Venture: QST)

May 25, 2007

Financial and Operating Results with Management's Discussion and Analysis

For the Three-Month Period Ended March 31, 2007

The management of Questor Technology Inc. [hereinafter the "Company" or "Questor"] is pleased to present and discuss the financial and operating results and performance of the Company for the three-month period ended March 31, 2007 compared to the three-month period ended March 31, 2006 and to describe the Company's current financial condition and future prospects [hereinafter "MD&A"]. This MD&A is current as of May 25, 2007 and the information presented herein should be read in conjunction with the Company's unaudited interim financial statements and related notes as at and for the three-month period ended March 31, 2007 and the audited financial statements and related notes for the fiscal year ended December 31, 2006 filed on SEDAR at www.sedar.com.

The Company's financial statements have been prepared in accordance with Canadian GAAP and reported in Canadian dollars.

Forward-Looking Statements

To the extent any statements made in this MD&A contain information that is not historical these statements are essentially forward-looking in nature and are subject to risks and uncertainties. Statements preceded by the words believe, expect, anticipate, plan, intend, continue, estimate, may, will, and similar expressions are forward-looking statements.

Forward-looking statements are based on beliefs and assumptions based on information available at the time the assumptions were made. Actual events or results may differ materially from those reflected in the Company's forward looking statements due to a number of risks, uncertainties and other factors affecting the Company's business and the level of exploration, development and production activities of the oil and gas industries generally. These risks, uncertainties and other factors, include but are not limited to, fluctuations in oil and gas commodity prices, changes in legislation, exchange rates, state of domestic and international economies, alternatives energy sources, levels of cash flow to the oil and gas industries not be achieved, fluctuations in the level of oil and gas industries capital expenditures on production and well-testing, demand for the Company's incinerator technology and services, industry competition, uncertainties as to the Company's ability to implement its business strategy, political and economic conditions, the Company's ability to attract and retain staff, and other factors many of which are beyond the control of individual companies and the industry in general.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except required by law.

1. Overall Performance

The Company's three-year strategic business plan adopted, in early 2005 focused on five significant areas for growth: field service; international sales; waste heat recovery; expansion to other industries; and strategic alliances. The Company has continued to work in each of these areas in the first quarter of 2007. As a result, the overall performance and operational results for the three-month period ended March 31 2007 compared to the same period in 2006 improved as demonstrated by the following highlights:

- [i] Revenue for the three-month period ended March 31, 2007 increased by \$176,217 or 22% to \$959,648 from \$783,431 for the same period in 2006. The revenue growth in the first quarter of 2007 positively affected the increase in net earnings before income taxes by \$40,471 or 27% to \$191,197 from \$150,726 for the same period in 2006.
- [ii] During the first quarter of 2007, the Company recorded a non-cash future income taxes of \$62,720 compared to \$nil for the same period in 2006, and as a result, for the three-month period ended March 31, 2007 net earnings decreased by \$22,249 to \$128,477 from \$150,726 for the same period in 2006. The Company recorded this non-cash future income taxes expense in its first quarter of 2007 since it recognized all of its future income tax asset in the year 2006. The Company anticipates more likely than not to realize it in the year 2007 due to the signing on February 6, 2007 of a US\$6.6 million (\$7.8 million) contract with China Petrochemical International Company Ltd. [hereinafter "SINOPEC"] to supply well testing incinerators for the Puguang Gas Field development. By having recognized the income tax benefit of its temporary differences and tax pools in its 2006 results of operations, the company is now recognizing a non-cash income tax expense in the first quarter of 2007 on its net earnings before income taxes. The Company estimates that it will be in a taxable income position and have tax payable for the year ending December 31, 2007.
- [iii] The Company has started to build the incinerators for SINOPEC in the first quarter of 2007 and it received from them in March 2007 the sum of US\$1,976,482 (\$2,278,686), which was recorded as deferred revenue by the Company as at March 31, 2007. The Company anticipates delivering all the units in the second quarter of 2007.
- [iv] The Company currently operates in one business segment involving waste gas incinerator sales, rentals and service. Our results are therefore directly impacted by the overall activity in the oil and gas sectors and will continue to be impacted in 2007.

2. Results of Operations

2.1 Unaudited Interim Statement of Operations

The following table sets forth certain financial data for the three-month periods ended March 31, 2007 and 2006.

<i>Three-month periods ended March 31,</i>	2007	2006
	(unaudited)	(unaudited)
REVENUE	\$ 959,648	\$ 783,431
DIRECT COSTS	534,843	412,867
	424,805	370,564
EXPENSES		
General and administrative	224,994	199,399
Interest	6,514	13,160
Amortization	9,015	9,956
Foreign exchange (gain) loss	(6,915)	(2,677)
	233,608	219,838
Net earnings before income taxes	191,197	150,726
Income taxes	62,720	-
Net earnings for the period	128,477	150,726
Earnings per share – Basic and Diluted	\$ 0.01	\$ 0.01

2.2 Analysis

Revenue, direct costs and gross margin

Revenue for the three-month period ended March 31, 2007 increased by \$176,217 or 22% to \$959,648 from \$783,431 for the same period in 2006 as sales of incinerators and related services increased by \$246,120 and \$17,561, respectively, and rentals of incinerators decreased by \$87,464 as a result of fewer rental of incinerators outside of Canada.

Direct costs for the three-month period ended March 31, 2007 increased by \$121,976 or 30% to \$534,843 from \$412,867 for the same period in 2006 for a gross profit of \$424,805 for the three-month period ended March 31, 2007 compared to 370,564 for the same period in 2006, and as a percentage of revenue, gross profit decreased to 44% in the first quarter of 2007 compared to 47% in the first quarter of 2006.

The decrease in gross profit is due to the increase in incinerator sales and related services and the decrease in rentals of incinerators in the first quarter of 2007 compared to the first quarter of 2006 whereby the gross profit on incinerators sales and related services is lower than the gross profit on the rentals of incinerators.

Expenses

For the three-month period ended March 31, 2007 general and administrative expense increased by \$25,595 to \$224,994 from \$199,399 for the same period in 2006. This increase in the first quarter of 2007 was a result of higher fees being charged for the audit.

Income taxes

During the first quarter of 2007, the Company recorded a non-cash future income taxes of \$62,720 compared to \$nil for the same period in 2006. The Company recorded this non-cash future income taxes expense in its first quarter of 2007 since it recognizes in the year 2006 all of its future income tax asset because the Company estimated more likely than not to realize it in the year 2007 due to the signing on February 6, 2007 of a US\$6.6 million (\$7.8 million) contract with SINOPEC to supply well testing incinerators for the Puguang Gas Field development. By having recognized the income tax benefit of its temporary differences and tax pools in its 2006 results of operations, the company is now recognizing a non-cash income tax expense in the first quarter of 2007 on its net earnings before income taxes. The Company estimates that it will be in a taxable income position and have tax payable for the year ending December 31, 2007.

Net earnings

As a result, for the three-month period ended March 31, 2007, the Company recorded net earnings of \$128,477 compared to \$150,726 for the same period in 2006.

3. Eight Most Recently Completely Quarterly Results

A selection of financial information, derived from the Company's unaudited quarterly financial statements for each of the last eight quarters, is presented below:

	Quarters Ended			
	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
	\$	\$	\$	\$
Revenue	960	664	824	952
Net earnings	128	700	107	238
Earnings per share				
Basic	0.01	0.03	0.00	0.01
Diluted	0.01	0.03	0.00	0.01

	Quarters Ended			
	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
	\$	\$	\$	\$
Revenue	783	645	355	533
Net earnings	151	190	13	56
Earnings per share				
Basic	0.01	0.01	0.00	0.00
Diluted	0.01	0.01	0.00	0.00

A number of factors contribute to variations in the Company's results between quarters such as the weather, the customer capital spending affected by oil and gas commodity prices, the seasonal behaviours in customer spending, such as plant shutdown work, and the Company's ability to change service offerings as it strives to find the correct mix of services to meet customer needs and maximize shareholder return. The relative size of sales contracts and the recognition of revenue on large contracts on a completed contract basis can also have a significant affect on quarterly results.

4. Cash Flows, Financial Position, Capital Resources, and Commitments

4.1 Excerpts from Unaudited Interim Statement of Cash Flows

The following table sets forth certain financial data for the three-month periods ended March 31, 2007 and 2006.

<i>Three-month periods ended March 31,</i>	2007 (unaudited)	2006 (unaudited)
Increase in cash flows related to operating activities	1,732,730	48,236
Decrease in financing activities	(18,707)	(140,818)
Decrease in investing activities	(2,389)	(1,528)
Increase (decrease) in cash for the period	1,711,634	(94,110)

4.2 Cash Flows

Cash flows related to operating activities

Cash flows related to operating activities were positive \$1,732,730 for the first quarter of 2007 compared to positive \$48,236 for the same period in 2006. The important increase in the first quarter of 2007 resulted from the sum of US\$1,976,482 (\$2,278,686) received from SINOPEC and recorded as deferred revenue for the building of the incinerators to be delivered in the second quarter of 2007.

Cash flows related to financing activities

Cash flows related to financing activities were negative \$18,707 for the first quarter of 2007 compared to negative \$140,818 for the same period in 2006. The decrease in the first quarter of 2006 was due to the repayment of \$100,000 in notes payable.

Cash flows related to investing activities

Cash flows related to investing activities in purchase of equipments were negative \$2,389 for the first quarter of 2007 compared to negative \$1,528 for the same period in 2006.

Net changes in cash flows for the period

As a result, for the three-month period ended March 31, 2007, cash increased by \$1,711,634 compared to a decrease of \$94,110 for the same period in 2006.

4.3 Financial Position

As at March 31, 2007, the Company had cash and working capital of \$1,554,513 and \$783,903, respectively compared to bank overdraft and working capital of \$157,121 and \$541,405 as at December 31, 2006, respectively.

As explained above the important cash on hand as at March 31, 2007 is the result of having received a deposit in the sum of US\$1,976,482 (\$2,278,686) in March 2007 from SINOPEC.. This amount is being used to build the well testing incinerators to be delivered in the second quarter of 2007.

4.4 Capital Resources

The Company's capital requirements consist primarily of capital expenditures related to the purchase and manufacturing of incinerator units both for sale and rental, working capital necessary to fund the operations, and capital to finance the development or acquisition of new technologies.

The source of funds available to satisfy these capital requirements will include cash flow from operations and external debt financings, as required.

4.5 Commitments

As at March 31, 2007, the Company has the following commitments:

Office lease obligations, excluding operating costs, are as follows:

2007	\$	8,847
	\$	8,847

Also, the Company has a royalty obligation of 1.5% of incinerator sales payable annually to an individual who is no longer with the Company who during his tenure with the Company, co-invented/developed the waste hydrocarbon incinerator. No specified term of expiry is identified in the agreement.

5. Disclosure of Outstanding Share Data

The following table outlines the Company data for the equity securities outstanding as at May 25, 2007.

	<u>May 25, 2007</u>
Common shares	
Number	23,757,370
Amount	\$5,210,274
Options	
Number outstanding	1,700,000
Number exercisable	681,250
Exercise price	Ranging from \$0.10 to \$0.18

6. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at March 31, 2007.

7. Transactions with Related Parties

The Company did not have any related parties transactions in the first quarter of 2007.

8. Changes in Accounting Policies

8.1 New Accounting Policies Adopted

8.1.1 Financial Instruments and Comprehensive Income

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 1530, Comprehensive Income; Section 3251, Equity. The prospective adoption of these new standards did not result in any material changes in the measurement for financial instruments previously recorded at cost.

8.1.2 Accounting Changes

Beginning January 1, 2007 the Company adopted Section 1506 "Accounting Changes" the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862 "Financial Instruments Disclosures" and Section 3863 "Financial Instruments Presentation" which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt these standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

9. Financial Instruments and Other Instruments

9.1 Financial instruments

As mentioned in section 8.1.1, the prospective adoption of the new standards on financial instruments did not materially result in changes in the measurement for financial instruments, previously recorded at cost:

- [i] Cash and accounts receivable are classified as "loans and receivables" and are recorded at cost which at initial measurement corresponds to fair value. Subsequent revaluations of accounts receivable are recorded at amortized cost which generally corresponds to initial measurement less all allowances for doubtful accounts. This change had no impact on the Company's financial statements.
- [ii] Bank overdraft, demand loan, accounts payable and accrued liabilities, and long term debt are classified as "other financial liabilities". They are initially measured at fair value and subsequent revaluations are recorded at amortized cost using the effective interest method. This change had no material impact on the Company's financial statements.

9.2 Credit risk

The Company grants credit to its customers, which are primarily in the oil and gas industry. Periodic evaluations of the financial condition of customers are performed and general collateral is not required, but letters of credit may be required for international sales. An allowance for bad debts is determined by management for potential credit losses.

9.3 Interest rate risk

It is management's opinion that the Company has limited exposure to interest rate fluctuations as at March 31, 2007, other than such risk related to the demand loan.

9.4 Foreign currency

The Company's revenues are primarily in Canadian and United States dollars and Euros. Foreign exchange risk arises from the risk of fluctuation in exchange rates and the degree of volatility of these rates. For the quarter ended March 31, 2007, there were no significant operations using forward-exchange contracts and no significant forward-exchange contract is outstanding as of today.

10. Business Risks

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 individual companies and the industry in general. The Company is at risk should sustained levels of cash flow to the energy industry not be achieved. 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 mitigate the business risks, the Company must continue to demonstrate to the market place the merits of its incinerator product while continuing to develop new environmental products for the energy industry.

11. Disclosure Controls and Procedures

The President, who is also Chief Executive Officer and acting as Chief Financial Officer, [hereinafter "President"] has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, is made known to her by others within the Company, particularly during the period in which the annual and interim filings of the Company are being prepared, in an accurate and timely manner in order for the Company to comply with its disclosure and financial reporting obligations and in order to safeguard assets. The President has concluded that the Company's disclosure controls and procedures, as of the end of the period covered by the annual and interim filings, are effective in providing reasonable assurance that material information is accumulated and disclosed accurately. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Company's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

12. Internal Control over Financial Reporting

The President of the Company is able to certify the design of the Company's internal controls over financial reporting as required under Multilateral Instrument 52-109 of the Canadian Securities Administration with no significant weaknesses in design of these internal controls that require commenting on in the MD&A.

During the quarter ended March 31, 2007, there have been no changes to the Company's internal controls over financial reporting that have, or are reasonably likely to, materially affect the internal controls over financial reporting.

13. Certifications

The company has filed form 52-109F2 "Certification of Interim Filings" with the appropriate securities regulators in Canada. These certificates can be found on the SEDAR website.

14. Outlook

Future business prospects for the industry are difficult to predict with any degree of certainty, however, the fiscal year of 2007 has started with a slight reduction in oil and gas activity levels in comparison to those experienced in the latter half of 2006. Drilling activity in Canada during the first 2007 quarter fell far short of the record prior year with industry drilling days down 19% from 2006. Warm or wet weather may interfere with some projects where cold and dry conditions are a requirement for work to proceed, but weather conditions will generally only result in a delay in earning revenue as opposed to a cancellation of the work. The addition of the Grande Prairie service operation will continue to mitigate the effects of these weather-induced stoppages, as they will be able to continue servicing field burners regardless of the weather.

This year saw a significant shift in public concern for the environment and a need for environmental stewardship. The concerns over the health impacts of poor air quality, global warming, and climate change have resulted in a heightened focus on emissions. The public is demanding action from their governments to address air quality issues. Rigorous standards are being set in today's regulatory environment to address these issues. This has created a significant and growing market opportunity for Questor, both internationally and domestically. Flares are unable to meet the new, more demanding air quality regulations introduced in many international and U.S. jurisdictions. Questor's incinerator provides technology to our clients to ensure compliance, cost reduction, environmental protection and fostering of public confidence.

Over the past several years, the Company has increased the number of strategic relationships with various international organizations. These relationships assisted in expanding the operations internationally. The business development initiatives for 2007 are to further develop these relationships and generate additional international opportunities. The Company has recently announced the signing of a US\$6.6 million (\$7.8

million) contract to supply well testing incinerators to SINOPEC for the Puguang Gas Field development in 2007. This contract will be delivered in the second quarter of 2007.

The Company will continue to look for additional international opportunities. The Company hopes to test an incinerator in 2007 to evaluate the potential for waste heat recovery. Opportunities to expand into other industries will continue to be pursued. The Company will continue to develop strategic alliances in order to maximize our value.

For further information, please contact

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