
NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, Questor Technology Inc. discloses that its auditors have not reviewed the unaudited interim financial statements for the three-month and nine-month periods ended September 30, 2008 and September 30, 2007.

QUESTOR TECHNOLOGY INC.
BALANCE SHEETS
(unaudited)

As at	September 30 2008	December 31 2007
ASSETS		
Current assets		
Cash (note 3)	\$ 2,129,280	\$ 2,753,997
Accounts receivable	1,816,030	1,062,716
Inventory (note 4)	637,888	526,401
Prepaid expenses and deposits	96,660	98,609
	4,679,858	4,441,723
Property and equipment (note 5)	1,194,434	1,299,677
Intangibles	91,048	73,678
Future income tax asset	28,508	31,480
	\$ 5,993,848	\$ 5,846,558
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 890,818	\$ 501,314
Short-term debt	-	191,186
Current portion of long-term debt	42,990	60,183
Income and other taxes payable	17,501	115,707
Deferred revenue and deposits	-	70,129
Future income tax liability	102,682	102,682
	1,053,991	1,041,201
Long-term debt	23,080	53,206
	1,077,071	1,094,407
Shareholders' equity		
Share capital (note 6)	5,240,052	5,235,677
Contributed surplus (note 7)	249,213	140,350
Deficit	(572,488)	(623,876)
	4,916,777	4,752,151
	\$ 5,993,848	\$ 5,846,558

See accompanying notes to the interim financial statements.

QUESTOR TECHNOLOGY INC.
STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND DEFICIT
(unaudited)

For the	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Revenue				
Incinerator sales and services	\$ 731,660	\$ 6,574,506	\$ 1,026,024	\$ 7,033,624
Incinerator rentals and services	320,346	231,131	673,729	811,718
Combustion services	241,828	91,658	399,938	318,054
	1,293,834	6,897,295	2,099,691	8,163,396
Less: Direct costs	763,449	3,593,177	1,493,431	4,440,256
Gross margin	530,385	3,304,118	606,260	3,723,140
Other revenue (notes 5 and 8)	79,104	28,260	286,504	51,866
Expenses				
General and administrative	321,563	270,116	948,499	715,116
Foreign exchange loss (gain)	(103,489)	208,704	(204,383)	180,533
Depreciation and amortization	11,348	9,236	31,281	27,465
	229,422	488,056	775,397	923,114
Income before interest expense and income tax expense	380,067	2,844,322	117,367	2,851,892
Interest expense				
Short-term debt	286	4,703	4,783	19,674
Long-term debt	504	-	1,512	-
Income before income tax expense	379,277	2,839,619	111,072	2,832,218
Income tax expense				
Current income tax	-	155,065	37,711	155,065
Future income tax	92,964	800,761	21,973	806,161
Net income and comprehensive income	286,313	1,883,793	51,388	1,870,992
Deficit, beginning of period	(858,801)	(2,614,060)	(623,876)	(2,601,259)
Deficit, end of period	\$ (572,488)	\$ (730,267)	\$ (572,488)	\$ (730,267)
Net income per share (note 6)				
Basic	\$ 0.012	\$ 0.079	\$ 0.002	\$ 0.079
Diluted	\$ 0.012	\$ 0.075	\$ 0.002	\$ 0.075
Weighted average number of shares outstanding (note 6)				
Basic	23,803,702	23,757,370	23,797,835	23,725,319
Diluted	24,724,844	24,981,003	24,718,977	24,948,951

See accompanying notes to the interim financial statements.

QUESTOR TECHNOLOGY INC.
STATEMENTS OF CASH FLOWS
(unaudited)

For the	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Operating activities				
Net income	\$ 286,313	\$ 1,883,793	\$ 51,388	\$ 1,870,993
Items not involving cash:				
Depreciation and amortization	38,317	36,250	115,279	107,294
Future income taxes	92,964	800,761	21,973	806,161
Unrealized foreign exchange loss (gain)	(135,507)	209,567	(141,297)	41,627
Gain on disposition of assets (note 5)	-	-	(99,268)	-
Share-based compensation (note 7)	37,470	27,932	111,988	50,256
Funds generated from operations	319,557	2,958,303	60,063	2,876,331
Net change in non-cash working capital (note 12)	(441,858)	261,890	(691,231)	748,895
Net cash provided by (used in) operating activities	(122,301)	3,220,193	(631,168)	3,625,226
Investing activities				
Additions to property and equipment	(6,888)	(181,885)	(37,324)	(185,517)
Dispositions of property and equipment (note 5)	-	-	139,733	-
Net cash provided by (used in) investing activities	(6,888)	(181,885)	102,409	(185,517)
Financing activities				
Decrease in short-term debt	(410,746)	(687,266)	(191,186)	(436,295)
Increase (decrease) in long-term debt	(15,068)	54,809	(47,319)	3,434
Net proceeds from issuance of common shares (note 6)	1,250	-	1,250	20,500
Net cash used in financing activities	(424,564)	(632,457)	(237,255)	(412,361)
Increase (decrease) in cash and cash equivalents	(553,753)	2,405,851	(766,014)	3,027,348
Cash and cash equivalents, beginning of period	2,547,526	818,623	2,753,997	29,186
Effective exchange rates on cash and cash equivalents	135,507	(209,567)	141,297	(41,627)
Cash and cash equivalents, end of period	\$ 2,129,280	\$ 3,014,907	\$ 2,129,280	\$ 3,014,907

See accompanying notes to the interim financial statements.

QUESTOR TECHNOLOGY INC.
SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENTS
(unaudited)

1. NATURE OF OPERATIONS

Questor Technology Inc. ("Questor" or the "Company") is an international environmental oil field service company 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 provides combustion services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared by management in Canadian dollars in accordance with Canadian generally accepted accounting principles ("GAAP").

The accounting policies applied are consistent with those outlined in the Company's annual financial statements for the year ended December 31, 2007, except as described below. These unaudited interim financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2007 audited financial statements included in the Company's annual report.

Changes in Accounting Policies

Effective January 1, 2008 the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook accounting requirements for 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.

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 9.

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 10.

Future Accounting Changes

International Financial Reporting Standards (IFRS)

The CICA Accounting Standards Board (“AcSB”) has published its strategic plan for convergence of Canadian generally accepted accounting standards with International Financial Reporting Standards (“IFRS”). The changeover date for Canadian publicly accountable enterprises is for annual and interim financial statements relating to fiscal years beginning on or after January 1, 2011 and will require restatement of comparative figures. Questor is currently assessing the impact the transition to IFRS will have to the Company’s results of operations, financial position and disclosures and is developing an implementation plan. Questor will provide disclosures of the key elements of its plan and progress relative to this plan as the information becomes available during the transition period.

Goodwill and Intangible Assets

In February 2008, the CICA 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. Questor has not yet determined the impact this new Section will have on the Company’s results of operations and financial position.

3. CASH

Certain cash balances are held in foreign currencies of which the Canadian dollar equivalent is as follows:

As at	September 30 2008	December 31 2007
United States dollars	\$ 2,097,495	\$ 2,737,718
Euros	5,179	16,279
Chinese renminbis (yuan)	472	-
	2,103,146	\$ 2,753,997
Canadian dollars	26,134	-
	\$ 2,129,280	\$ 2,753,997

4. INVENTORY

As at	September 30 2008	December 31 2007
Materials and supplies	\$ 160,456	\$ 149,996
Work in progress	331,098	53,809
Finished goods	146,334	322,596
	\$ 637,888	\$ 526,401

5. DISPOSITION OF ASSETS

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, resulting in a net gain on sale of \$99,268 after deducting customization costs of \$2,485. The net gain on sale is included in other revenue.

The Company did not dispose of any incinerators from its rental fleet during 2007.

6. SHARE CAPITAL

Shares Issued and Outstanding

	Number	Amount
Shares issued and outstanding, December 31, 2007	23,794,870	\$ 5,235,677
Shares issued on exercise of options	12,500	4,375
Shares issued and outstanding, September 30, 2008	23,807,370	\$ 5,240,052

Share Option Plan

The Company has a share option plan under which directors, officers, key employees and consultants of Questor are eligible to receive grants at market prices. Options may be granted to purchase authorized but unissued common shares of the Company to a maximum of 4,708,474 shares. To September 30, 2008, options granted under the plan had a term of five years to expiry and vested no longer than over a four-year period.

The following tables summarize the information about the Company's share option plan as at September 30, 2008:

	Number of options	Exercise price ⁽¹⁾
Share options outstanding, December 31, 2007	2,137,500	\$ 0.30
Granted	75,000	0.43
Exercised	(12,500)	(0.10)
Expired	-	-
Forfeited	(25,000)	(0.10)
Share options outstanding, September 30, 2008	2,175,000	\$ 0.31
Share options exercisable, September 30, 2008	1,062,500	\$ 0.21

(1) *Weighted average.*

Options Outstanding			Options Exercisable		
Number Outstanding	Exercise price ⁽¹⁾	Remaining contractual life ⁽²⁾	Number Exercisable	Exercise price ⁽¹⁾	
1,100,000	\$ 0.10	1.41	737,500	\$ 0.10	
300,000	0.18	3.00	150,000	0.18	
75,000	0.43	4.54	-	-	
700,000	0.67	3.91	175,000	0.67	
2,175,000	\$ 0.31	2.54	1,062,500	\$ 0.21	

⁽¹⁾ Weighted average.

⁽²⁾ Weighted average number of years.

Weighted Average Number of Shares Outstanding

For the	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Number of shares – Basic	23,803,702	23,757,370	23,797,835	23,725,319
Dilutive share options	921,142	1,223,633	921,142	1,223,632
Number of shares – Diluted	24,724,844	24,981,003	24,718,977	24,948,951

The share options outstanding for the three months ended June 30, 2007, March 31, 2008 and June 30, 2008 are not included in the computation of diluted common shares outstanding as the Company realized a net loss during these periods and the effect would be anti-dilutive.

775,000 share options outstanding for the three months ended September 30, 2008 are not included in the computation of diluted common shares outstanding as the effect would be anti-dilutive given that the average market price of Questor's shares during this period was lower than the exercise price of these share options.

7. CONTRIBUTED SURPLUS

As at	September 30 2008	December 31 2007
Contributed surplus, beginning of period	\$ 140,350	\$ 81,712
Share-based compensation expense	111,988	81,291
Transferred to share capital from exercise of share options	(3,125)	(22,653)
Contributed surplus, end of period	\$ 249,213	\$ 140,350

8. GOVERNMENT ASSISTANCE

In second quarter 2008, the Company received government assistance of \$77,508 as a consequence of Scientific Research and Experimental Development claims. This amount is included in other revenue and as a reduction of income taxes payable.

9. CAPITAL

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements other than the financial tests and covenants associated with its credit facilities.

The Company capital structure consists of shareholders' equity, short-term and long-term debt, cash and cash equivalents. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing debt, raise new debt and issue common shares. It is expected, however, that Questor's funds generated from operations and cash and cash equivalent amounts will provide sufficient capital resources and liquidity to fund existing operations and certain capital opportunities in 2008.

A key measure the Company utilizes in evaluating its capital structure is the ratio of debt-to-total capitalization. Questor's debt-to-total capitalization ratio at September 30, 2008 was 1.3 percent (December 31, 2007 – 6.0 percent), where debt has not been reduced by cash and cash equivalent balances.

10. FINANCIAL INSTRUMENTS AND 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. 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. During the three-month and nine-month periods ended September 30, 2008, there was no impairment required on any of the financial assets of the Company.

Credit Risk

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

At September 30, 2008, 25 percent of the Company's trade accounts receivable balances were greater than 90 days past due, with one customer representing 81 percent of this amount. As at September 30, 2008, Questor has no reason to doubt the ultimate collectability of any of the accounts receivable with the exception of \$629 for which a provision for doubtful accounts has been established.

Interest Rate Risk

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

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.

To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

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 September 30, 2008, the Company has the following contractual maturities with respect to non-derivative financial liabilities:

	Maturity	September 30 2008
Accounts payable and accrued liabilities	Within 1 year	\$ 890,818
Long-term debt – current and non-current	September 2010	66,070
		\$ 956,888

11. SEGMENTED INFORMATION

The Company reports its financial results of operations as one reportable segment.

The following tables provide information regarding total revenue and property and equipment on a geographic basis.

Total Revenue

For the	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Canada	\$ 883,091	\$ 274,799	\$ 1,836,469	\$ 1,372,115
International				
China	-	6,613,400	-	6,613,400
United States	489,764	-	547,385	101,232
Other	83	37,356	2,341	128,515
	\$ 1,372,938	\$ 6,925,555	\$ 2,386,195	\$ 8,215,262

Property and Equipment

As at	September 30 2008	December 31 2007
Canada	\$ 904,205	\$ 996,053
International		
Italy	290,229	303,624
	\$ 1,194,434	\$ 1,299,677

The Company's intangible assets are all located in Canada.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in the following non-cash working capital items increased (decreased) cash flows related to operating activities as follows:

For the	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Accounts receivable	\$ (656,896)	\$ 4,522,973	\$ (753,315)	\$ 342,802
Inventory	(125,193)	2,591,374	(111,487)	(97,787)
Prepaid expenses and deposits	(56,107)	(82,810)	1,949	(24,332)
Accounts payable and accrued liabilities	473,020	(256,410)	389,504	394,595
Income and other taxes payable	8,869	171,733	(98,206)	175,761
Deferred revenue and deposits	(90,269)	(6,642,826)	(70,129)	-
	(446,576)	304,034	(641,684)	791,039
Capital costs included in accounts payable and accrued liabilities	4,718	(2,023)	9,574	(2,023)
Investment tax credit included in accounts receivable	-	(40,121)	-	(40,121)
Investment tax credit included in income and other taxes payable	-	-	(59,121)	-
	\$ (441,858)	\$ 261,890	\$ (691,231)	\$ 748,895

The following cash payments have been included in the determination of net income:

For the	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Interest paid	\$ 1,677	\$ 6,443	\$ 6,310	\$ 19,674
Income taxes paid	\$ 35,580	\$ -	\$ 174,002	\$ -

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

14. SUBSEQUENT EVENTS

On October 23, 2008, \$1,500,000 United States dollars were converted to Canadian dollars at a rate of 1.2526 for a realized foreign exchange gain of \$378,900.

On November 7, 2008, 200,000 options to purchase common shares were exercised at \$0.10 per share.

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 expires on March 26, 2009.

On November 18, 2008, 200,000 options to purchase common shares at \$0.10 per share expired.