

*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 periods ended March 31, 2007 and 2006*

**Questor Technology Inc.**  
**Unaudited Interim Financial Statements**  
**March 31, 2007**

**QUESTOR TECHNOLOGY INC.**  
**UNAUDITED INTERIM BALANCE SHEETS**

As at	March 31, 2007 (unaudited)	December 31, 2006 (audited)
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,554,513	\$ -
Accounts receivable and other receivables	1,201,620	947,993
Inventory	1,002,049	263,015
Prepaid expenses and deposits	52,528	90,074
Future income tax asset – current	520,786	583,506
	<b>4,331,496</b>	<b>1,884,588</b>
Property and equipment		
Property and equipment	1,240,951	1,266,758
Intangibles	94,470	101,700
Future income tax asset – non current	232,977	232,977
	<b>\$ 5,899,894</b>	<b>\$ 3,486,023</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Bank overdraft	\$ -	\$ 157,121
Demand loan	249,988	274,990
Accounts payable and accrued liabilities	450,327	278,892
Deferred revenue	2,278,686	-
Current portion of long-term debt	47,806	48,674
	<b>3,026,807</b>	<b>759,677</b>
Long-term debt		
	<b>43,782</b>	<b>57,119</b>
	<b>3,070,589</b>	<b>816,796</b>
Shareholders' Equity		
Share capital [note 4]	5,210,274	5,188,774
Contributed surplus [note 5]	91,813	81,712
Deficit	(2,472,782)	(2,601,259)
	<b>2,829,305</b>	<b>2,669,227</b>
	<b>\$ 5,899,894</b>	<b>\$ 3,486,023</b>

See accompanying notes to the financial statements

On behalf of the Board:



Director



Director

**QUESTOR TECHNOLOGY INC.**  
**UNAUDITED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE**  
**INCOME AND DEFICIT**

<i>Three-month periods ended March 31,</i>	<b>2007</b> <b>(unaudited)</b>	<b>2006</b> <b>(unaudited)</b>
<b>REVENUE</b>	<b>\$ 959,648</b>	<b>\$ 783,431</b>
<b>DIRECT COSTS</b>	<b>534,843</b>	<b>412,867</b>
	<b>424,805</b>	<b>370,564</b>
<b>EXPENSES</b>		
General and administrative	<b>224,994</b>	199,399
Interest	<b>6,514</b>	13,160
Amortization	<b>9,015</b>	9,956
Foreign exchange (gain) loss	<b>(6,915)</b>	(2,677)
	<b>233,608</b>	219,838
<b>Net earnings before income taxes</b>	<b>191,197</b>	150,726
Income taxes	<b>62,720</b>	-
<b>Net earnings for the period</b>	<b>128,477</b>	150,726
Other comprehensive income, net of income taxes <i>[note 3[a]]</i>	-	-
<b>Comprehensive income</b>	<b>128,477</b>	150,726
<b>Deficit, beginning of year</b>	<b>(2,601,259)</b>	<b>(3,796,873)</b>
<b>Deficit, end of the period</b>	<b>\$ (2,472,782)</b>	<b>\$ (3,646,147)</b>
<b>Earnings per share – Basic and Diluted <i>[note 6]</i></b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>

*See accompanying notes to the financial statements*

**QUESTOR TECHNOLOGY INC.**  
**UNAUDITED INTERIM STATEMENTS OF CASH FLOWS**

<i>Three-month periods ended March 31,</i>	<b>2007</b> <b>(unaudited)</b>	<b>2006</b> <b>(unaudited)</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 128,477	\$ 150,726
Items not affecting working capital		
Stock-based compensation	11,101	8,128
Amortization	35,426	36,002
Future income taxes	62,720	-
	<b>237,724</b>	194,856
Net changes in non-cash working capital <i>[note 7]</i>	<b>1,495,006</b>	(146,620)
	<b>1,732,730</b>	48,236
<b>FINANCING ACTIVITIES</b>		
Repayment of notes payable	-	(100,000)
Repayment of bank indebtedness	(25,002)	(33,336)
Repayment of long-term debt	(14,205)	(7,482)
Issue of share capital	20,500	-
	<b>(18,707)</b>	(140,818)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipments	(2,389)	(1,528)
	<b>(2,389)</b>	(1,528)
Increase (decrease) in cash for the period	<b>1,711,634</b>	(94,110)
Cash (bank overdraft), beginning of year	<b>(157,121)</b>	177,227
Cash, end of the period	<b>\$ 1,554,513</b>	\$ 83,117

*See accompanying notes to the financial statements*

# QUESTOR TECHNOLOGY INC.

## *Notes to the Unaudited Interim Financial Statements*

Three-month periods ended March 31, 2007 and 2006

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### 1. OPERATIONS

Questor Technology Inc. [hereinafter the "Company"] develops, designs, manufactures, and markets safe, economical, and efficient waste gas incinerators using a proprietary process. The business consists primarily of sales, rentals, and service of the waste gas incinerators. The Company specializes in providing environmental solutions to the oil and gas industry and for any industry where noxious or toxic waste gases need to be destroyed.

### 2. BASIS OF PRESENTATION

The unaudited interim financial statements are presented in accordance with Canadian generally accepted accounting principles ["GAAP"] for interim financial information. The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The unaudited interim financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and should be read in conjunction with the annual audited financial statements and notes thereto for the year ended December 31, 2006 as filed on May 1, 2007 with the various Securities Commissions in Canada and on SEDAR at [www.sedar.com](http://www.sedar.com).

Except as noted in note 3, these unaudited interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the year ended December 31, 2006. The disclosures below are incremental to those included with the year end financial statements.

### 3. CHANGES IN ACCOUNTING POLICIES

[a] 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, as explained below.

i) Financial instruments

All financial instruments must initially be measured at fair value on the balance sheet. The Company has classified each financial instrument into the following categories: held to maturity investments, loans or receivables, held for trading financial assets and financial liabilities, available for sale financial assets and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification. Gains and losses on available for sale financial assets are recognized in other comprehensive income and are transferred to earnings when the asset is derecognized. Recognized in earnings are unrealized gains and losses on held for trading financial instruments. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method.

# QUESTOR TECHNOLOGY INC.

## *Notes to the Unaudited Interim Financial Statements*

Three-month periods ended March 31, 2007 and 2006

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### 3. CHANGES IN ACCOUNTING POLICY [continued]

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price. Subsequent to initial recognition, the fair values of the financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair values may be determined in whole or in part from valuation techniques using non-observable market data or transaction prices. A number of factors are taken into account, as appropriate, when values are calculated using valuation techniques.

Upon adoption and with any new financial instrument, an election is available that allows entities to classify any financial asset or financial liability as held for trading, even if the financial instrument does not meet the criteria to designate it as held for trading. The Company has not elected to classify any financial assets or financial liabilities as held for trading unless they meet the held for trading criteria.

A held for trading financial instrument is not a loan or receivable and includes one of the following criteria:

- It is a derivative, not designated in a hedge;
- It has been acquired for the purpose of selling or repurchasing in the near future; or
- It is acquired for the purpose of trading as part of a trading portfolio with evidence of a recent actual pattern of short-term profit taking.

The transaction costs that are directly attributed to the acquisition or issue of a financial asset or financial liability and are not classified as held for trading are added to the fair value initially recognized for that financial instrument. These costs are expensed to earnings using the effective interest rate method.

The adoption of these new standards resulted in the following changes in the classification and measurement of the Company's financial instruments, previously recorded at cost:

- 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.
- 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.

# QUESTOR TECHNOLOGY INC.

## *Notes to the Unaudited Interim Financial Statements*

Three-month periods ended March 31, 2007 and 2006

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### 3. CHANGES IN ACCOUNTING POLICY [continued]

#### ii) Comprehensive income and accumulated comprehensive income

Comprehensive income is the change in equity of an enterprise during a period from transactions and other events from non-owner sources. Accumulated other comprehensive income is a new equity category comprised of the cumulative amounts of other comprehensive income. The Company has evaluated the impact of the new standards on its unaudited interim financial statements and determined that at March 31, 2007 and December 31, 2006 no adjustments are required to comprehensive income and accumulated comprehensive income.

#### iii) Derivatives and hedging activities

Derivatives are carried at fair value and are reported as assets where they have a positive fair value and as liabilities where they have a negative fair value. The change in fair value during the period is recorded as interest and other expenses.

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied. The two hedging strategies permitted are as follows: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item or when the Company chooses to de-designate. The Company does not have any outstanding derivative contracts as at March 31, 2007 and December 31, 2006.

#### iv) Embedded derivatives

Embedded derivatives are derivatives embedded in a host contract. They are recorded separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded derivatives are the same as those of a freestanding derivative and the combined contract is not classified as held for any potential embedded derivatives. As at March 31, 2007 and December 31, 2006, the Company did not have any embedded derivatives outstanding.

#### [b] 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.

# QUESTOR TECHNOLOGY INC.

## Notes to the Unaudited Interim Financial Statements

Three-month periods ended March 31, 2007 and 2006

### 4. SHARE CAPITAL AND STOCK OPTIONS

#### Share capital

[a] Authorized

An unlimited number of common voting shares.

[b] Issued

	March 31, 2007		December 31, 2006	
	Number of Shares	Amount	Number of Shares	Amount
Outstanding, beginning of year	23,582,370	\$ 5,188,774	23,542,370	\$ 5,183,260
Issued on exercise of options	175,000	21,500	40,000	5,514
Outstanding, end of the period and the year	23,757,370	\$ 5,210,274	23,582,370	\$ 5,188,774

In February 2007, 175,000 options to purchase common shares were exercised by an employee of the Company at a weighted average price of \$0.12 per share for proceeds of \$20,500 and upon the exercise of these options to purchase common shares an amount of \$1,000 was reclassified from contributed surplus to share capital which represents the amount initially recorded for the options to purchase common shares in contributed surplus.

#### Stock options

The Board of Directors has adopted and approved a stock option plan for the directors, officers, consultants and key employees of the Company [hereinafter the "Plan"]. The Board of Directors may make available under the Plan that number of common shares that may be granted as options [hereinafter "Options"] under the Plan and under any other stock option plan of the Company that does not exceed the number of common shares authorized by the regulatory bodies having jurisdiction over the Company. The number of options to purchase common shares that may be granted pursuant to the Plan has been established at 4,708,474. No individual shall be granted an Option which exceeds 5% of the issued and outstanding common shares of the Company on a non-diluted basis. The Option price per common share shall not be less than such price as may be acceptable to any stock exchange on which the Company's common shares are listed. The maximum length of any Option shall be five years from the date the Option is granted.

The Plan was approved by the Shareholders of the Company on June 15, 2001 and as amended on June 3, 2005.

## QUESTOR TECHNOLOGY INC.

### Notes to the Unaudited Interim Financial Statements

Three-month periods ended March 31, 2007 and 2006

#### 4. SHARE CAPITAL AND STOCK OPTIONS [continued]

The following table sets forth a reconciliation of stock options granted, exercised, and expired for the three-month period ended March 31, 2007 and the year ended December 31, 2006.

	March 31, 2007		December 31, 2006	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,875,000	\$ 0.12	1,857,000	\$ 0.12
Granted	-	\$ -	550,000	\$ 0.17
Exercised	(175,000)	\$ 0.12	(40,000)	\$ 0.10
Expired	-	\$ -	(492,000)	\$ 0.18
Outstanding, end of the period and the year	1,700,000	\$ 0.12	1,875,000	\$ 0.12
Exercisable, end of the period and the year	681,250	\$ 0.11	806,250	\$ 0.11

The following table sets forth information relating to stock options outstanding and exercisable as at March 31, 2007.

Exercise Prices	Number Outstanding as at March 31, 2007	Weighted Average Remaining Contractual Life	Number Exercisable as at March 31, 2007
\$ 0.10	1,287,500	3.0 years	606,250
\$ 0.18	412,500	4.5 years	75,000
	1,700,000	3.4 years	681,250

#### 5. CONTRIBUTED SURPLUS

	March 31, 2007		December 31, 2006	
Balance, beginning of year	\$	81,712	\$	49,878
Stock-based compensation expense		11,101		33,348
Options exercised		(1,000)		(1,514)
Balance, end of the period and the year	\$	91,813	\$	81,712

For the three-month period ended March 31, 2007, the Company recorded stock-based compensation expense of \$11,101.

## QUESTOR TECHNOLOGY INC.

### Notes to the Unaudited Interim Financial Statements

Three-month periods ended March 31, 2007 and 2006

#### 6. EARNINGS PER SHARE

A summary of the common shares used in the calculation of earnings per share is as follows:

Three-month periods ended March 31,	2007	2006
<b>Weighted average shares outstanding</b>		
Weighted average number of common shares – basic	23,658,203	23,542,370
Dilutive effect of stock options	539,525	77,265
Weighted average number of common shares – diluted	24,197,728	23,619,635

For the three-month period ended March 31, 2006 excluded from the calculation of diluted earnings per share were weighted average options outstanding of 450,000 as the options' exercise prices were greater than the average market price of the common shares for the period.

#### 7. SUPPLEMENTAL CASH FLOW INFORMATION

Three-month periods ended March 31,	2007	2006
Components of changes in non-cash working capital balances:		
Accounts receivable and other receivables	\$ (253,627)	\$ (339,240)
Inventory	(739,034)	(4,511)
Prepaid expenses and deposits	37,546	24,664
Accounts payable and accrued liabilities	171,435	172,467
Deferred revenue	2,278,686	-
	\$ 1,495,006	\$ (146,620)
Interest paid	\$ 6,514	\$ 15,348

## QUESTOR TECHNOLOGY INC.

### *Notes to the Unaudited Interim Financial Statements*

Three-month periods ended March 31, 2007 and 2006

#### 8. SEGMENTED INFORMATION

The Company operates as a single business segment involving waste gas incinerator sales, rentals and service for the purposes of internal performance measurement and resource allocation by the Company's chief operating decision makers. All revenues are derived from this product group.

The following tables provide information about the geographic revenue and property and equipment:

<b>Three-month period ended and as at March 31, 2007</b>	<b>Revenue</b>	<b>Property and Equipment</b>
Canada	\$ 829,174	\$ 923,931
International	130,474	317,020
	<u>\$ 959,648</u>	<u>\$ 1,240,951</u>

  

<b>Three-month period ended March 31, 2006 and as at December 31, 2006</b>	<b>Revenue</b>	<b>Property and Equipment</b>
Canada	\$ 656,292	\$ 946,266
International	127,139	320,492
	<u>\$ 783,431</u>	<u>\$ 1,266,758</u>

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

Revenue from five customers represents 63% of the Company's total revenue for the three-month period ended March 31, 2007 [three-month period ended March 31, 2006 – revenue from 2 customers represent 29%].

#### 9. COMPARATIVE FIGURES

Certain of the comparative figures presented for the three-month period ended March 31, 2006 have been reclassified to conform to the financial statement presentation adopted for the current year.