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## **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 periods ended March 31, 2010 and March 31, 2009.

**QUESTOR TECHNOLOGY INC.**  
**BALANCE SHEETS**  
**(unaudited)**

As at	March 31 2010	December 31 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(note 3)</i>	\$ 3,228,423	\$ 3,080,997
Accounts receivable	654,958	864,260
Income and other taxes receivable	269,761	306,850
Inventory <i>(note 4)</i>	547,391	433,145
Prepaid expenses and deposits	74,233	101,072
Deferred expenses	-	2,356
Future income tax asset	88,421	50,113
	<b>4,863,187</b>	<b>4,838,793</b>
<b>Property and equipment</b>	<b>1,387,047</b>	<b>1,418,524</b>
<b>Intangibles</b>	<b>11,672</b>	<b>15,682</b>
	<b>\$ 6,261,906</b>	<b>\$ 6,272,999</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 376,863	\$ 348,150
Current portion of long-term debt	10,155	15,232
Income and other taxes payable	15,840	19,034
Deferred revenue and deposits	307,242	198,641
Future income tax liability	2,281	2,281
	<b>712,381</b>	<b>583,338</b>
<b>Future income tax liability</b>	<b>60,554</b>	<b>74,057</b>
	<b>772,935</b>	<b>657,395</b>
<b>Shareholders' equity</b>		
Share capital <i>(note 5)</i>	5,265,736	5,265,736
Contributed surplus <i>(note 6)</i>	486,038	447,651
Retained earnings (deficit)	(262,803)	(97,783)
	<b>5,488,971</b>	<b>5,615,604</b>
	<b>\$ 6,261,906</b>	<b>\$ 6,272,999</b>

See accompanying notes to the interim financial statements.

**QUESTOR TECHNOLOGY INC.**  
**STATEMENTS OF INCOME (LOSS), COMPREHENSIVE INCOME (LOSS)**  
**AND RETAINED EARNINGS (DEFICIT)**  
**(unaudited)**

For the three months ended March 31	2010	2009
<b>Revenue</b>		
Incinerator sales and services	\$ 89,326	\$ 572,592
Incinerator rentals and services	245,626	439,270
Combustion services	153,165	146,006
	<b>488,117</b>	<b>1,157,868</b>
Less: Direct costs	<b>327,575</b>	<b>713,893</b>
	<b>160,542</b>	<b>443,975</b>
<b>Other revenue</b>	<b>1,511</b>	<b>5,328</b>
<b>Expenses</b>		
General and administrative	324,155	364,627
Foreign exchange loss (gain)	47,295	(42,339)
Depreciation and amortization	6,930	10,257
	<b>378,380</b>	<b>332,545</b>
<b>Income (loss) before interest expense and income tax expense</b>	<b>(216,327)</b>	<b>116,758</b>
<b>Interest expense</b>	<b>504</b>	<b>826</b>
<b>Income (loss) before income tax expense</b>	<b>(216,831)</b>	<b>115,932</b>
<b>Income tax expense (recovery)</b>		
Current income tax	-	28,579
Future income tax	(51,811)	4,664
<b>Net income (loss) and comprehensive income (loss)</b>	<b>(165,020)</b>	<b>82,689</b>
<b>Retained earnings (deficit), beginning of period</b>	<b>(97,783)</b>	<b>4,180</b>
<b>Retained earnings (deficit), end of period</b>	<b>\$ (262,803)</b>	<b>\$ 86,869</b>
<b>Net income (loss) per share (note 5)</b>		
Basic and diluted	<b>\$ (0.007)</b>	<b>\$ 0.003</b>
<b>Weighted average number of shares outstanding (note 5)</b>		
Basic	<b>24,007,370</b>	<b>24,007,370</b>
Diluted	<b>24,007,370</b>	<b>24,384,818</b>

See accompanying notes to the interim financial statements.

**QUESTOR TECHNOLOGY INC.  
STATEMENTS OF CASH FLOWS  
(unaudited)**

For the three months ended March 31	2010	2009
<b>Operating activities</b>		
Net income (loss)	\$ (165,020)	\$ 82,689
Items not involving cash:		
Depreciation	35,192	31,152
Amortization	4,010	7,250
Unrealized foreign exchange loss	47,257	41,885
Future income tax	(51,811)	4,664
Share-based compensation <i>(note 5)</i>	38,387	38,200
	<b>(91,985)</b>	205,840
Net change in non-cash working capital <i>(note 10)</i>	<b>292,862</b>	(140,058)
	<b>200,877</b>	65,782
<b>Investing activities</b>		
Additions of property and equipment	(3,439)	(70,520)
	<b>(3,439)</b>	(70,520)
<b>Financing activities</b>		
Repayment of long-term debt	(5,077)	(9,883)
	<b>(5,077)</b>	(9,883)
<b>Effect of exchange rates on cash</b>	<b>(44,935)</b>	(43,323)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>147,426</b>	(57,944)
<b>Cash and cash equivalents, beginning of period</b>	<b>3,080,997</b>	3,259,037
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,228,423</b>	\$ 3,201,093

See accompanying notes to the interim financial statements.

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

**1. NATURE OF OPERATIONS**

Questor Technology Inc. (“Questor” or the “Company”) was incorporated under the *Business Corporations Act (Alberta)* as 635936 Alberta Ltd. on December 15, 1994 and filed letters of amendment to change its name first to Interglobe Gas Technology Inc. on February 8, 1995 and finally to Questor Technology Inc. on September 15, 1995. The Company has its headquarters in Calgary, Alberta, Canada and a field office in Grande Prairie, Alberta, Canada.

Questor is an international environmental oilfield services provider focused on clean air technologies with activities in Canada, the United States, Europe and Asia. The principal business activities are designing and manufacturing high efficiency waste gas incinerators for sale or for use on a rental basis and providing combustion-related oilfield 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”). These unaudited interim financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2009 audited financial statements included in the Company’s annual report. The accounting policies applied are consistent with those outlined in the Company’s audited financial statements for the year ended December 31, 2009.

**Future Accounting Changes**

***International Financial Reporting Standards***

All publicly accountable enterprises are 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 are required to restate comparative figures. 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 yet fully determined.

***Business Combinations***

In January 2009, the CICA issued Section 1582, “Business Combinations”, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. This Section is not expected to have any impact on the Company’s results of operations, financial position and disclosures.

***Consolidated Financial Statements and Non-controlling Interests***

In January 2009, the CICA issued Sections 1601, “Consolidated Financial Statements”, and 1602, “Non-controlling Interests”, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. These Sections are not expected to have any effect on the Company’s results of operations financial position and disclosures.

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### 3. CASH AND CASH EQUIVALENTS

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

As at	March 31 2010	December 31 2009
United States dollars	\$ 1,604,693	\$ 1,364,779
Euros	1,424	1,554
Other non-Canadian	137	137
	<b>1,606,254</b>	1,366,470
Canadian dollars	<b>1,622,169</b>	1,714,527
	<b>\$ 3,228,423</b>	<b>\$ 3,080,997</b>

### 4. INVENTORY

As at	March 31 2010	December 31 2009
Materials and supplies	\$ 99,402	\$ 67,642
Work in progress	198,549	291,166
Finished goods	249,440	74,337
	<b>\$ 547,391</b>	<b>\$ 433,145</b>

The carrying amount of inventory charged to direct costs in the period is \$36,001 (2009 - \$379,940). Included in the cost of inventory recognized as an expense in the current period are materials and supplies written down from cost to net realizable value in the amount \$39 (2009 - \$159). There are no reversals of any write-downs in the current or comparative periods.

### 5. SHARE CAPITAL

#### Shares Issued and Outstanding

	Number	Amount
<b>Shares issued and outstanding, December 31, 2009 and March 31, 2010</b>	<b>24,007,370</b>	<b>\$ 5,265,736</b>

#### 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 March 31, 2010, options granted under the plan had a term of five years to expiry and vested no longer than over a four-year period. Share-based compensation expense for the three-month period ended March 31, 2010 is \$38,387 (2009 - \$38,200).

The following tables summarize the information about the Company's share option plan as at March 31, 2010:

	Number of options	Exercise price <sup>(1)</sup>
Share options outstanding, beginning and end of period	<b>2,175,000</b>	<b>\$ 0.33</b>
Share options exercisable, beginning and end of period	<b>1,293,750</b>	<b>\$ 0.27</b>

<sup>(1)</sup> *Weighted average.*

At March 31, 2010:

Options Outstanding			Options Exercisable	
Number Outstanding	Exercise price <sup>(1)</sup>	Remaining contractual life <sup>(2)</sup>	Number Exercisable	Exercise price <sup>(1)</sup>
700,000	\$ 0.10	0.64	700,000	\$ 0.10
300,000	0.18	1.50	225,000	0.18
400,000	0.25	4.09	-	0.25
75,000	0.43	3.04	18,750	0.43
700,000	0.67	2.41	350,000	0.67
<b>2,175,000</b>	<b>\$ 0.33</b>	<b>2.05</b>	<b>1,293,750</b>	<b>\$ 0.27</b>

<sup>(1)</sup> *Weighted average.*

<sup>(2)</sup> *Weighted average number of years.*

### Weighted Average Number of Shares Outstanding

For the three months ended March 31	2010	2009
Number of shares – Basic	<b>24,007,370</b>	24,007,370
Dilutive share options	-	377,448
Number of shares – Diluted	<b>24,007,370</b>	24,384,818

The share options outstanding for the three months ended March 31, 2010 are not included in the computation of weighted average number of diluted common shares outstanding as the Company realized a net loss during this period and the effect would be anti-dilutive.

775,000 share options were excluded in the computation of weighted average number of diluted shares outstanding for the three-month period ended March 31, 2009 because the average market price of Questor's shares during this period was lower than the exercise price of these share options and therefore they were anti-dilutive.

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## 6. CONTRIBUTED SURPLUS

	<b>Three months ended March 31 2010</b>	Year ended December 31 2009
Contributed surplus, beginning of period	\$ 447,651	\$ 283,552
Share-based compensation expense	38,387	164,099
Contributed surplus, end of period	\$ 486,038	\$ 447,651

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## 7. CAPITAL MANAGEMENT

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 as described in Note 7 to the Company's audited financial statements for the year ended December 31, 2009. At March 31, 2010, Questor was in compliance with these covenants.

The Company's 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 in 2010 and anticipated capital expenditures.

A key measure the Company utilizes in evaluating its capital structure is the ratio of debt-to-total capitalization. Debt-to-total capitalization is calculated as debt divided by total capitalization. Debt is defined as total short- and long-term debt unadjusted for cash balances. Total capitalization is defined as the sum of debt unadjusted for cash balances and shareholders' equity. Questor's target is to have debt-to-total capitalization of no greater than 35 percent.

The debt-to-total capitalization ratios at March 31, 2010 and December 31, 2009 were as follows:

As at	<b>March 31 2010</b>	December 31 2009
Long-term debt – current and non-current	\$ 10,155	\$ 15,232
Debt	10,155	15,232
Shareholders' equity	5,488,971	5,615,604
Total capitalization	5,499,126	5,630,836
Debt-to-total capitalization ratio (%)	0.2	0.3

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## 8. 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 as described in Note 7 to the Company's audited financial statements for the year ended December 31, 2009. 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 categorizes its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. At March 31, 2010, Questor valued cash and cash equivalents using Level 1 inputs. At March 31, 2010, the Company did not have any assets and liabilities measured at fair value on a recurring basis using Level 2 or Level 3 inputs.

The Company assesses quarterly if there should be any impairment of the financial assets of the Company. At March 31, 2010 there was no impairment required on any of the financial assets of the Company other than an allowance for doubtful accounts provision more fully described in the "Credit Risk and Economic Dependence" section in Note 14 to the Company's audited financial statements for the year ended December 31, 2009.

### 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 deposits for incinerator sales, requiring progress payments or letters of credit in respect of international sales and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the energy industry and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date however industry practice can extend these terms.

The credit risk on cash and cash equivalent balances is limited because the counterparty is a large commercial bank in Canada.

Revenue from the top ten customers represents 95 percent of the Company's total revenue in first quarter 2010 (2009 - 93 percent). Revenue from one customer represents 27 percent of the Company's total revenue in the first three months of 2010 (2009 - 23 percent).

The following table sets forth details of the ageing profile of accounts receivable and the allowance for doubtful accounts:

As at	March 31 2010	December 31 2009
Current	\$ 227,641	\$ 369,642
31 – 60 days	188,777	246,463
61 – 90 days	11,522	130
Greater than 90 days	227,414	224,779
Billed receivables	655,354	841,014
Allowance for doubtful accounts	(71,004)	(71,004)
Billed receivables, net	584,350	770,010
Unbilled receivables	70,608	94,250
Total accounts receivable, net	\$ 654,958	\$ 864,260

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Two customers represent 49 percent of the Company's total net accounts receivable at March 31, 2010 (December 31, 2009 – Three customers represented 60 percent).

Two customers comprise the accounts receivable amounts past due for greater than 90 days which remain after application of the allowance for doubtful accounts at March 31, 2010 (December 31, 2009 - Two customers).

### Interest Rate Risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. 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 as described in Note 7 to the Company's audited financial statements for the year ended December 31, 2009.

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, which exposes Questor to fluctuating balances and cash flows due to variations in foreign exchange rates.

At March 31, 2010, the Canadian equivalent carrying amounts of the Company's foreign currency denominated monetary assets was \$1,852,161 (December 31, 2009 – \$1,788,542) and there were no foreign currency denominated monetary liabilities (December 31, 2009 – \$nil).

To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates. However, the Company has a facility available to purchase foreign forward exchange contracts if required, as described in Note 7 to the Company's audited financial statements for the year ended December 31, 2009.

### 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 March 31, 2010, the Company has the following contractual maturities with respect to non-derivative financial liabilities:

	Maturity	March 31 2010
Accounts payable and accrued liabilities	Within 1 year	\$ 376,863
Income and other taxes payable	Within 1 year	15,840
Long-term debt – current and non-current	September 2010	10,155
		<b>\$ 402,858</b>

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## 9. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company may transact with related parties. These transactions are recorded at their exchange amounts which approximate fair value. In February 2009 Questor acquired a service vehicle at market value for \$45,184 from a corporation owned by a director of the Company. There were no related party transactions in first quarter 2010.

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

## 10. 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 March 31	2010	2009
Accounts receivable	\$ 201,819	\$ 178,304
Income and other taxes receivable	37,055	6,226
Inventory	(114,246)	(75,831)
Prepaid expenses and deposits	26,839	24,579
Deferred expenses	2,356	(16,230)
Accounts payable and accrued liabilities	28,713	(22,070)
Income and other taxes payable	(3,195)	(277,791)
Deferred revenue and deposits	113,796	66,514
	293,137	(116,299)
Capital costs included in accounts payable and accrued liabilities	(275)	(23,759)
	\$ 292,862	\$ (140,058)

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

For the three months ended March 31	2010	2009
Interest paid	\$ 504	\$ 504
Income taxes paid	\$ -	\$ 301,729

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## 11. SEGMENTED INFORMATION

The Company reports its financial results 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 March 31	2010	2009
Canada	\$ 489,169	\$ 1,155,720
United States	459	7,476
	\$ 489,628	\$ 1,163,196

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

## 12. COMPARATIVE FIGURES

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