

## NEWS RELEASE

### QUESTOR TECHNOLOGY INC. ANNOUNCES QUARTERLY RESULTS AND GRANT OF SHARE OPTIONS

**Calgary, Alberta (August 29, 2007)** – Questor Technology Inc. (“Questor” or the “Company”) (TSX-V: QST) today announced a net loss of \$141,278 (\$0.01 per share) for the second quarter of 2007 and a net loss of \$12,801 (\$0.00 per share) for the six months ended June 30, 2007 compared to net income of \$237,809 (\$0.01 per share) for the second quarter of 2006 and net income of \$388,535 (\$0.02 per share) for the six months ended June 30, 2006. The net loss was primarily attributable to the Company’s resources being allocated to the previously announced US\$6.6 million contract to supply well testing incinerators to China Petrochemical International Company Ltd. (“SINOPEC”) and for which the corresponding earnings have not yet been included in income. Questor completed the construction in June 2007 and the products were shipped to China post-quarter end on July 5, 2007, pursuant to the freight arrangements. Payment of US\$4.3 million was received on July 31, 2007 which, together with the US\$2.0 million cash deposit received at the outset of the contract and no longer subject to a letter of guarantee issued by the Company, represented 95 per cent of the contract value. Payment of the remaining US\$0.3 million is anticipated upon commissioning. In accordance with accounting standards pertaining to revenue recognition, Questor’s second quarter 2007 results do not reflect the earnings from this contract.

“Our Company’s efforts this quarter were focused on building a quality product and delivering the equipment for the SINOPEC contract on time. We are pleased with the Questor team’s success as it demonstrates our capability and capacity to handle and deliver on large projects,” said Audrey Mascarenhas, President and Chief Executive Officer. “Our strategy for growth is well underway. In terms of heat recovery and power generation, we are in discussions, and working toward a Memorandum of Understanding, with a power company to convert the waste heat we generate into power. The heat recovery project to reduce fuel, greenhouse gases and costs for our clients is proceeding, in partnership with a large US fabrication company. The strategic alliance with this particular entity has also provided access to the US market. A joint research and development project with a large Canadian pipeline transmission company is nearing completion, resulting in optimization of our incinerators to meet their specific operating needs and future regulatory compliance. In the coming quarter we will be considering a capital investment to grow our existing rental fleet, pending the outcome of the discussions with one of our clients concerning a long-term contract for multiple units during this winter season. The international arena continues to offer significant growth opportunities for Questor and discussions are underway on new projects in China, Nigeria, Libya, the Middle East, Asia and offshore Scotland.”

The Company also announced today, subject to regulatory approval, the grant of share options to a director, two officers and an employee entitling the purchase of up to 700,000 common shares at \$0.67 per share, exercisable for a period of five years and vesting in accordance with the provisions of the Company’s share option plan.

#### PERFORMANCE HIGHLIGHTS<sup>(1)</sup>

- On May 18, 2007, the Company received notification that the Canadian patent application relating to the proprietary gas incinerator technology had been granted for a period of 20 years from the filing date, November 3, 1999, of the application.
- Revenue for this quarter was \$326,763 compared to \$951,599 in the same quarter in 2006. Revenue for the first half of 2007 was \$1,286,411 down from \$1,735,030 in the first half of 2006. Apart from 2007 revenue not yet reflecting the benefit of the SINOPEC contract, the change in revenue was primarily due to a significant sale in second quarter 2006 of a waste gas and produced saltwater disposal system to an Asian subsidiary of a large multi-national company.
- Gross margin for the second quarter and first six months of 2007 were \$19,799 and \$444,529, respectively. Gross margin was lower than 2006 second quarter by \$426,741 and the first six months by \$372,513 for the reasons described in the Revenue discussion above.

- Earnings (loss) before interest, taxes, depreciation and amortization were \$(154,524) this quarter compared to \$282,665 in the same quarter in 2006. Earnings before interest, taxes, depreciation and amortization for the first half of 2007 were \$78,614, down from \$482,553 in the first half of 2006.
- Operating income in the first six months was \$7,569, which included a second quarter operating loss of \$190,142. After interest expense of \$14,970 and future income tax expense of \$5,400, the net loss for the first six months of the year was \$12,801.
- Cash used in operating activities was \$1,159,757 for second quarter 2007 compared to cash provided from operations of \$392,484 for the same period in 2006. Cash from operations for the first half of 2007 was \$572,973, up from \$440,719 in the first half of 2006.
- Funds generated from operations were \$(151,757) for second quarter 2007, compared to \$282,171 for the same period in 2006. Funds generated from operations for the first half of 2007 were \$85,967, down from \$477,027 in the first half of 2006.
- Total debt was \$304,406 at June 30, 2007, compared to \$537,904 at December 31, 2006. The Company's debt-to-total capitalization ratio was 10 percent, versus 17 percent at the end of 2006.

<sup>(1)</sup> *Includes non-GAAP financial measures. Please see discussion in the Non-GAAP Financial Measures section of the Company's second quarter Management's Discussion and Analysis.*

## **SUBSEQUENT EVENTS**

- On July 5, 2007, the Company shipped the well testing incinerators and associated equipment manufactured during second quarter 2007 pursuant to the previously announced US\$6.6 million contract with SINOPEC to supply well testing incinerators. On August 2, 2007, the Company announced the receipt of US\$6.3 million from SINOPEC comprised of US\$4.3 million cash and the US\$2.0 million cash deposit received at the outset of the contract which was now unrestricted upon expiration of the letter of guarantee issued by the Company. The balance remaining, US\$0.3 million, will be forthcoming once the incinerators are commissioned.
- On August 2, 2007, the Company repaid the principal and accrued interest outstanding on its demand loan facility of \$208,404.
- On August 27, 2007, Questor entered into a 43-month sub-lease agreement for office space commencing September 1, 2007. The minimum lease payments will be \$32,047 in 2007, \$96,141 in each of 2008, 2009 and 2010, and \$24,035 in 2011.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operations dated August 28, 2007 is a review of the results of operations and the liquidity and capital resources of Questor Technology Inc. ("Questor" or the "Company") for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006. The MD&A should be read in conjunction with the accompanying unaudited interim financial statements and notes thereto of Questor as at and for the three and six months ended June 30, 2007 and with the audited financial statements and MD&A contained in the Company's annual report for the year ended December 31, 2006.*

*This 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 regarding Questor can be found on its website at [www.questortech.com](http://www.questortech.com). The continuous disclosure materials of Questor, including its annual MD&A and audited financial statements, Information Circular and Proxy Statement, material change reports and news releases issued by Questor, are available through the Company's website or directly through the SEDAR system at [www.sedar.com](http://www.sedar.com).*

### QUESTOR TECHNOLOGY INC.

Questor is an international environmental oil field service company focused on clean air technologies with operations 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 field burner 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 its clients. Questor is recognized for its particular expertise in the combustion of sour gas (H<sub>2</sub>S). While the Company's current client base is primarily in the oil and gas industry, this technology is applicable to other industries such as tire recycling, agriculture, landfills, water and sewage treatment.

### FINANCIAL RESULTS

Questor's financial information and the related discussion of financial results in the MD&A are for the three and six months ended June 30, 2007 and June 30, 2006.

## Financial Results Summary

(\$ unless otherwise noted)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Revenue	<b>326,763</b>	951,599	<b>1,286,411</b>	1,735,030
Gross Margin	<b>19,799</b>	446,540	<b>444,529</b>	817,042
EBITDA <sup>(1)</sup>	<b>(154,524)</b>	282,665	<b>78,614</b>	482,553
Operating income (loss) <sup>(1)</sup>	<b>(190,142)</b>	246,838	<b>7,569</b>	410,724
Net income (loss)	<b>(141,278)</b>	237,809	<b>(12,801)</b>	388,535
Cash from operations	<b>(1,159,757)</b>	392,484	<b>572,973</b>	440,719
Funds generated from operations <sup>(1)</sup>	<b>(151,757)</b>	282,171	<b>85,967</b>	477,027
Total assets	<b>10,569,368</b>	2,549,325	<b>10,569,368</b>	2,549,325
Long-term liabilities	<b>34,217</b>	34,585	<b>34,217</b>	34,585
Shares outstanding (thousands) <sup>(2)</sup>				
Basic	<b>23,757</b>	23,542	<b>23,708</b>	23,542
Diluted <sup>(3)</sup>	<b>23,757</b>	23,744	<b>23,708</b>	23,786
Net income (loss) per share - Basic	<b>(0.01)</b>	0.01	<b>0.00</b>	0.02
Net income (loss) per share – Diluted <sup>(3)</sup>	<b>(0.01)</b>	0.01	<b>0.00</b>	0.02

(1) Includes non-GAAP financial measures. Please see discussion in the Non-GAAP Financial Measures section of the Company's second quarter Management's Discussion and Analysis.

(2) Weighted average.

(3) No potential common shares are included in the computation of diluted shares outstanding or diluted net income (loss) per share amount when a loss is reported.

### Discussion of Financial Results for Three Months Ended June 30, 2007

The net loss for the three months ended June 30, 2007 was \$141,278 or a loss of \$0.01 per share, compared to net income of \$237,809, or net income of \$0.01 per share for the three months ended June 30, 2006. The net loss was primarily attributable to the Company's resources being allocated to the construction of the well testing incinerators for China Petrochemical International Company Ltd. ("SINOPEC") for which the corresponding earnings has not yet been included in income. In addition, lower field service and incinerator rental revenues, higher general and administrative expense and increased interest expense, partially offset by a future income tax recovery, also contributed to the net loss in second quarter 2007. Compared to the three months ended June 30, 2006, the unfavourable variance was primarily due to a significant sale in second quarter 2006 which was not duplicated in the same quarter of 2007.

Questor's revenue for the quarter ended June 30, 2007 was \$326,763, compared to \$951,599 for the same quarter in 2006. Revenue was lower than anticipated largely because of the deferred revenue recognition relating to the SINOPEC contract, lower field service revenue due to redeployment of resources to the construction process and slightly lower incinerator rental revenue. The difference quarter-over-quarter is also attributable to the sale of a waste gas and produced saltwater disposal system to an Asian subsidiary of a large multi-national company in second quarter 2006.

For the three months ended June 30, 2007, the Company reported a gross margin of \$19,799, compared to a gross margin of \$446,540 for the second quarter of 2006. Direct costs of \$286,731 in second quarter 2007 were down by \$217,592 compared to same period in 2006. This difference is primarily due to the direct costs associated with the waste gas and produced saltwater disposal system sale occurring in second quarter 2006

which were not duplicated in second quarter 2007. Consequently, the gross margin in second quarter 2007 is lower because of the lower revenue in the period and the absence of direct costs relating to the SINOPEC contract, partially offset by the effect of direct costs incurred in second quarter 2006 for which there was no corresponding amount in 2007.

General and administrative expense was \$242,215 for the second quarter of 2007, compared to \$194,232 for the second quarter of 2006. The increase was principally attributable to higher audit fees.

Depreciation and amortization expense for second quarter 2007 was relatively unchanged at \$35,618 compared to \$35,827 in the same quarter last year. Depreciation of \$26,404 and \$26,047 for the three months ended June 30, 2007 and 2006, respectively, relating to incinerator rentals has been included in direct costs.

Interest expense for the three months ended June 30, 2007 was \$8,456, compared to \$9,029 for the same quarter in 2006.

Future income taxes for second quarter 2007 reflected a recovery of \$57,320, compared to no tax provision in the same period of 2006. Historically the Company had not been in a taxable position and had not recognized the income tax benefit of its temporary differences and tax pools given the lack of certainty such benefit would be applied. However, when the Company executed the contract with SINOPEC, it was determined the Company would become taxable in 2007 and, consequently, recorded a future income tax asset in its 2006 results. The company is now recognizing a non-cash future income tax recovery in second quarter 2007 in relation to its loss before income taxes.

#### **Discussion of Financial Results for Six Months Ended June 30, 2007**

The net loss for the six months ended June 30, 2007 was \$12,801, compared to net income of \$388,535, or net income of \$0.02 per share for the six months ended June 30, 2006. The small net loss was primarily the result of deferring revenue recognition of the well testing incinerators constructed for the SINOPEC contract during the second quarter of 2007. In addition, lower field service and incinerator rental revenues, higher general and administrative expense, increased interest expense and a modest non-cash future income tax expense also contributed to the net loss in the first half of 2007. Compared to the six months ended June 30, 2006, the unfavourable variance was primarily due to higher sales revenue in the first six months of 2006 compared to the same period in 2007.

Revenue for the first half of 2007 was \$1,286,411, compared to \$1,735,030 for the same period in 2006. Revenue was lower than anticipated largely because of the deferred revenue recognition relating to the SINOPEC contract, lower field service revenue due to redeployment of resources to the construction process in second quarter 2007 and slightly lower incinerator rental revenue. The difference was also attributable to the sale of a waste gas and produced saltwater disposal system to an Asian subsidiary of a large multi-national company in second quarter 2006, partially offset by higher sales revenue in first quarter 2007.

For the six months ended June 30, 2007, the Company reported a gross margin of \$444,529, compared to a gross margin of \$817,042 for the first half of 2006. Direct costs of \$821,574 in the first half of 2007 were down by \$95,616 compared to same period in 2006. This difference is primarily due to the direct costs of the waste gas and produced saltwater disposal system sale occurring in second quarter 2006 which were not duplicated in second quarter 2007, partially offset by the direct costs associated with higher sales in first quarter 2007. Consequently, the gross margin in second quarter 2007 is lower because of the lower revenue in the period and the absence of direct costs relating to the SINOPEC contract, partially offset by the effect of higher direct costs on sales incurred in second quarter 2006.

General and administrative expense was \$467,209 for the second half of 2007, compared to \$393,631 for the same period of 2006. The increase was largely due to higher audit fees.

Depreciation and amortization expense for the six months ended June 30, 2007 was relatively unchanged at \$71,045 compared to \$71,829 in the same period last year. Depreciation of \$52,816 and \$52,093 for the six months ended June 30, 2007 and 2006, respectively, relating to incinerator rentals has been included in direct costs.

Interest expense for the six months ended June 30, 2007 was \$14,970, compared to \$22,189 for the same quarter in 2006. In 2006, \$300,000 of interest-bearing notes were outstanding for the first quarter and \$200,000 of interest-bearing notes were outstanding for substantially all of the second quarter.

Future income taxes for first half of 2007 were of \$5,400, compared to no tax provision in the same period of 2006. Historically the Company had not been in a taxable position and had not recognized the income tax benefit of its temporary differences and tax pools given the lack of certainty such benefit would be applied. However, when the Company executed the contract with SINOPEC, it was determined the Company would become taxable in 2007 and, consequently, recorded a future income tax asset in its 2006 results. The company is now recognizing a modest non-cash future income tax expense in relation to its taxable income as at June 30, 2007.

### Non-GAAP Financial Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other entities. The purpose of these financial measures and their reconciliation to GAAP financial measures is discussed below.

### Earnings (Loss) Before Interest, Taxes, Depreciation and Amortization (EBITDA)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
EBITDA	<b>(154,524)</b>	282,665	<b>78,614</b>	482,553
Add (deduct):				
Depreciation and amortization	<b>(35,618)</b>	(35,827)	<b>(71,045)</b>	(71,829)
Interest expense	<b>(8,456)</b>	(9,029)	<b>(14,970)</b>	(22,189)
Income tax expense	<b>57,320</b>	-	<b>(5,400)</b>	-
Net income (loss) (GAAP financial measure)	<b>(141,278)</b>	237,809	<b>(12,801)</b>	388,535

EBITDA is 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 Deficit and is defined as gross margin plus other revenue less general and administrative expense and foreign exchange losses (gains).

## Operating Income (loss)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Operating income (loss)	<b>(190,142)</b>	246,838	<b>7,569</b>	410,724
Add (deduct): Interest expense	<b>(8,456)</b>	(9,029)	<b>(14,970)</b>	(22,189)
Income tax expense	<b>57,320</b>	-	<b>(5,400)</b>	-
Net income (loss) (GAAP financial measure)	<b>(141,278)</b>	237,809	<b>(12,801)</b>	388,535

Operating income (loss) 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. Operating income (loss) is calculated from the Statements of Income, Comprehensive Income and 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

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Funds generated from operations	<b>(151,757)</b>	282,171	<b>85,967</b>	477,027
Add (deduct): Net change in non-cash working capital	<b>(1,008,000)</b>	110,313	<b>487,006</b>	(36,308)
Cash from operations (GAAP financial measure)	<b>(1,159,757)</b>	392,484	<b>572,973</b>	440,719

Funds generated from operations is used to assist management and investors in analyzing operating performance, after interest and taxes, without regard 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 from operations, or other cash flow measures calculated in accordance with GAAP. Funds 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.

## SUMMARY OF EIGHT MOST RECENTLY COMPLETED QUARTERS

<i>(in \$ thousands except per share amounts)</i>	<b>Q2 2007</b>	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Revenue	<b>327</b>	960	664	824	952	783	645	355
Gross margin	<b>20</b>	425	140	194	447	371	501	305
Operating income (loss)	<b>(190)</b>	198	(21)	124	247	164	118	31
Net income (loss)	<b>(141)</b>	128	700	107	238	151	190	13
Net income (loss) per share								
Basic	<b>(0.01)</b>	0.01	0.03	0.00	0.01	0.01	0.01	0.00
Diluted	<b>(0.01)</b>	0.01	0.03	0.00	0.01	0.01	0.01	0.00

A number of factors contribute to variations in the Company's quarterly results: weather, customer capital spending as it's affected by oil and gas commodity prices and seasonality and the Company's mix of product and service offerings. The relative size of sales and the timing of revenue recognition can also have a significant impact on quarterly results.

### FINANCIAL POSITION

The following table outlines the significant changes in the balance sheets of Questor from December 31, 2006 to June 30, 2007.

Balance sheet item	\$ Increase (decrease)	Explanation
Cash	356,343	In March 2007, the Company received a cash deposit of US\$2.0 million in conjunction with the contract awarded by SINOPEC to supply well testing incinerators. The cash was drawn on to fund working capital and to repay debt when cash generated from operations and was insufficient.
Accounts receivable	4,114,880	Increase to accounts receivable primarily due to anticipated receipts from SINOPEC contract for which payment had not yet been received. On July 31, 2007, this payment was received.
Inventory	2,689,161	Inventory increase principally reflects the costs incurred to June 30, 2007 relating to the SINOPEC contract which will be transferred to direct costs when revenue is recognized.
Accounts payable and accrued liability	684,005	Increase to accounts payable is primarily attributable to the costs incurred during the construction of the incinerators and equipment pursuant to the SINOPEC contract.
Short-term debt	(207,125)	Short-term debt decreased primarily as a result of repayment from the SINOPEC-related cash deposit received earlier in the year and scheduled principal repayments on the demand loan.
Deferred revenue and deposits	6,642,826	Deferred revenue and deposits reflects the proceeds of the SINOPEC contract not yet eligible for revenue recognition.

## INVESTED CAPITAL

During second quarter 2007 Questor increased its plant and equipment by \$1,243 compared to \$1,012 in second quarter 2006. There were no disposals of capital assets in second quarter 2007 or in second quarter 2006.

During the first six months of 2007, the increase in plant and equipment was \$5,047 compared to \$2,540 for the same period in 2006. Disposals in the first half of 2007 were \$1,415, compared to \$nil for the same period in 2006.

## LIQUIDITY AND CAPITAL RESOURCES

Questor historically has used debt and equity financing to the extent that funds generated from operations and deposits received from customers in respect of a sale were insufficient to fund capital expenditures and working capital changes. Should larger transactions require financing beyond existing sources, management believes equity and debt capital markets could be accessed to provide additional financing.

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 2007 funds generated from operations will be sufficient to meet budgeted operating requirements and supply capital to finance the development of new clean air technologies or acquisitions.

### Cash Flows

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Operating activities	<b>(1,159,757)</b>	392,484	<b>572,973</b>	440,719
Investing activities	<b>(1,243)</b>	(1,012)	<b>(3,632)</b>	(2,540)
Financing activities	<b>(37,170)</b>	(224,147)	<b>(212,998)</b>	(364,965)
Change in cash	<b>(1,198,170)</b>	167,325	<b>356,343</b>	73,214

### Operating Activities

Cash used in operating activities was \$1,159,757 in second quarter 2007 decreased from cash provided by operating activities of \$392,484 in the same period of 2006. The decrease was due to lower operating results and the working capital deficit of \$1,008,000 at the end of second quarter 2007 compared to a surplus of \$110,313 at the end of second quarter 2006.

Cash provided by operating activities was \$572,973 in the first six months of 2007 increased from \$440,719 in the same period of 2006. The increase was primarily attributable to the working capital surplus of \$487,006 at the end of the first half of 2007 compared to a deficit of \$36,308 at the end of the same period in 2006, partially offset by lower operating results in 2007.

## Working Capital

	June 30 2007	December 31 2006
Current assets	8,100,896	1,301,082
Current liabilities	7,565,712	278,892
Working capital	535,184	1,022,190
Current ratio	1.1	4.7

## Investing Activities

Cash used for investing activities in the three and six months ended June 30, 2007 was \$1,243 and \$3,632, respectively, compared to \$1,012 and \$2,540 in the same periods of 2006. The investing activities comprised expenditures for and dispositions of plant and equipment.

## Financing Activities

Cash used for financing activities in second quarter 2007 was \$37,170, compared to \$224,147 for the same quarter last year. The decrease was primarily due to the repayment of the notes in second quarter 2006. For the six months ended June 30, 2007 cash used for financing activities was \$212,998, compared to \$364,965 for the same period in 2006. The decrease was attributable to the repayment of the notes outstanding in the first half of 2006, partially offset by higher reductions to short-term debt in the first half of 2007. The reductions of short-term debt were primarily a result of higher cash balances following the deposit received from SINOPEC in conjunction with the contract to supply well testing incinerators.

## Capital Resources

The Company believes that its access to debt and equity markets, unused bank credit facilities and its funds generated from operations will provide it with sufficient capital resources and liquidity to fund existing operations and certain acquisition and expansion opportunities in 2007.

At June 30, 2007, the Company had total debt outstanding of \$304,406, down from \$537,904 at December 31, 2006. The debt was comprised of a \$224,986 non-revolving demand loan and \$79,420 of vehicle financing. At June 30, 2007, the Company also had issued a letter of credit of EURO\$50,000 and a letter of guarantee of US\$1,976,482. The letter of guarantee expired on July 18, 2007.

On August 2, 2007, the Company repaid the principal and accrued interest outstanding on its non-revolving demand loan facility of \$208,404.

All of the borrowing facilities have financial tests and other covenants customary for these types of facilities, which must be met at each quarter-end. At June 30, 2007 Questor was in compliance with these covenants.

## Contractual Obligations

There have been no material changes to Questor's contractual obligations from those included in the MD&A included in the Company's 2006 Annual Report, except for the execution of a sub-lease agreement for office space entered into subsequent to second quarter 2007.

## RISKS AND UNCERTAINTIES

There have been no material changes to Questor's financial and business risks identified in the MD&A included in the Company's 2006 Annual Report.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. To date, Questor has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates and interest rates.

## **TRANSACTIONS WITH RELATED PARTIES**

For the three and six months ended June 30, 2007, the Company had no material transactions with related parties.

## **OFF-BALANCE-SHEET ARRANGEMENTS**

The Company is not party to any off-balance-sheet arrangements as at June 30, 2007.

## **SHARE CAPITAL**

At June 30, 2007, the Company had 23,757,370 common shares outstanding and a market capitalization of \$19,005,896 based on a closing trading price on June 29, 2007 of \$0.80 per common share. At June 30, 2007 there were 1,650,000 options outstanding and 593,750 options exercisable at a weighted average price of \$0.10 per share under the terms of the share option plan.

On August 28, 2007, the Company issued, subject to regulatory approval, the grant of share options to a director, two officers and an employee entitling the purchase of up to 700,000 common shares at \$0.67 per share, exercisable for a period of five years and vesting in accordance with the provisions of the Company's share option plan.

## **CHANGES IN ACCOUNTING POLICIES**

### *Changes for 2007*

Effective January 1, 2007 the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook accounting requirements for Section 3855 "Financial Instruments – Recognition and Measurement", Section 3865 "Hedges", Section 3861 "Financial Instruments – Disclosure and Presentation", Section 1530 "Comprehensive Income", Section 3251 "Equity" and Section 1506 "Accounting Changes". In accordance with the transitional provisions for these new standards, these policies were adopted prospectively without restatement of prior periods. The adoption of these standards has not had a material impact on the financial statements of the Company. For a description of the new accounting rules and the impact on the Company's financial statements of adopting such rules, see note 3 to the unaudited interim financial statements for the three and six months ended June 30, 2007.

### *Future Accounting Changes*

#### **Section 1535 Capital Disclosures**

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007, the new 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 new section is effective for the Company beginning January 1, 2008.

#### **Section 3862 Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation**

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007, the new CICA Handbook Sections 3862 and 3863 will replace Section 3861 to prescribe the requirements for presentation and disclosure 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. These new sections are effective for the Company beginning January 1, 2008.

### **International Financial Reporting Standards (IFRS)**

In 2006 the Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements in Canada. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected 5-year transitional period. While Questor has begun assessing the adoption of IFRS for 2011, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

### **SIGNIFICANT ACCOUNTING POLICIES**

Questor's significant accounting policies remain unchanged from December 31, 2006 except as disclosed in the notes to the unaudited interim financial statements for the three and six months ended June 30, 2007. For further information regarding these policies refer to the notes to the unaudited interim financial statements for the three and six months ended June 30, 2007 and to the audited financial statements in Questor's 2006 Annual Report.

### **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 unaudited interim 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 2006 audited financial statements included in the Company's 2006 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. Questor's critical accounting estimates are shared-based compensation expense, depreciation and amortization expense, asset impairment assessment and future tax liability.

### **DISCLOSURE CONTROLS AND PROCEDURES**

The Company maintains 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, as appropriate, to allow timely decisions regarding required disclosure.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management of the Company is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be designed effectively can provide only reasonable assurance with respect to financial statement preparation and presentation. During second quarter 2007 there were no material changes to the Company's internal controls over financial reporting.

## **OUTLOOK**

For the remainder of 2007, Questor's management expects to benefit from the heightened environmental focus and the health concerns arising from the impacts of poor air quality, global warming and climate change. The public is demanding action from their governments and rigorous regulatory standards are being implemented to address these issues. This has created a significant and growing market opportunity for Questor domestically and internationally. Flares are unable to meet the new, more demanding air quality regulations introduced in many international and US jurisdictions. Questor's incinerator provides technology to our clients to ensure compliance, environmental protection and foster public confidence while reducing costs. It is an opportune time for Questor to pursue expansion into other industries and develop strategic alliances in order to maximize value. The Company is actively developing client solutions such as heat recovery and power generation to increase the value of our services to our customers.

Future business prospects for the industry are difficult to predict with any degree of certainty. Drilling activity in Canada declined sharply in the second quarter of 2007 as lower natural gas prices caused a reduction in capital spending programs of oil and gas producers. This, coupled with a prolonged spring break-up, resulted in extended road bans and led to lower incinerator rentals as compared to prior years. To mitigate this risk, the Company has been focused on its international clients. The addition of the Grande Prairie-based service operation also serves to mitigate the effects of these weather-induced stoppages as field burner service work is not weather dependent.

Over the past several years, Questor has built strategic relationships with various international organizations to support the Company's expansion objectives. The business development initiatives for 2007 are to further develop these relationships and generate additional international opportunities.

## **SUBSEQUENT EVENTS**

On July 5, 2007, the Company shipped well testing incinerators and associated equipment manufactured during second quarter 2007 pursuant to the previously announced US\$6.6 million contract with SINOPEC to supply well testing incinerators. On August 2, 2007, the Company announced the receipt of US\$6.3 million from SINOPEC comprised of US\$4.3 million cash and the US\$2.0 million cash deposit received at the outset of the contract which was now unrestricted upon expiration of the letter of guarantee issued by the Company.. The balance remaining, US\$0.3 million, will be forthcoming once the incinerators are commissioned.

On August 2, 2007, the Company repaid the principal and accrued interest outstanding on its demand loan facility of \$208,404.

On August 27, 2007, Questor entered into a 43-month sub-lease agreement for office space commencing September 1, 2007. The minimum lease payments will be \$32,047 in 2007, \$96,141 in each of 2008, 2009 and 2010, and \$24,035 in 2011.

## **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 six-month periods ended June 30, 2007 and 2006.

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

	<b>June 30 2007</b>	December 31 2006
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 356,343	\$ -
Accounts receivable	5,062,873	947,993
Inventory	2,952,176	263,015
Prepaid expenses and deposits	31,596	90,074
Income and other taxes receivable	54,251	-
Future income tax asset	578,106	583,506
	<b>9,035,345</b>	<b>1,884,588</b>
<b>Property and equipment</b>	<b>1,213,806</b>	<b>1,266,758</b>
<b>Intangibles</b>	<b>87,240</b>	<b>101,700</b>
<b>Future income tax asset</b>	<b>232,977</b>	<b>232,977</b>
	<b>\$ 10,569,368</b>	<b>\$ 3,486,023</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 922,886	\$ 271,881
Short-term debt	224,986	432,111
Current portion of long-term debt	45,203	48,674
Income and other taxes payable	-	7,011
Deferred revenue and deposits	6,642,826	-
	<b>7,835,901</b>	<b>759,677</b>
<b>Long-term debt</b>	<b>34,217</b>	<b>57,119</b>
	<b>7,870,118</b>	<b>816,796</b>
<b>Shareholders' equity</b>		
Share capital (note 4)	5,210,274	5,188,774
Contributed surplus (note 5)	103,036	81,712
Retained earnings (deficit)	(2,614,060)	(2,601,259)
	<b>2,699,250</b>	<b>2,669,227</b>
	<b>\$ 10,569,368</b>	<b>\$ 3,486,023</b>

See accompanying notes to the interim financial statements.

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

	Three months ended June 30		Six months ended June 30	
	<b>2007</b>	2006	<b>2007</b>	2006
<b>Revenue</b>	<b>\$ 306,530</b>	\$ 950,863	<b>\$ 1,266,103</b>	\$ 1,734,232
Less: Direct costs	<b>286,731</b>	504,323	<b>821,574</b>	917,190
<b>Gross margin</b>	<b>19,799</b>	446,540	<b>444,529</b>	817,042
<b>Other revenue</b>	<b>20,233</b>	736	<b>20,308</b>	798
<b>Expenses</b>				
General and administrative	<b>242,215</b>	194,232	<b>467,209</b>	393,631
Foreign exchange loss (gain)	<b>(21,255)</b>	(3,574)	<b>(28,170)</b>	(6,251)
Depreciation and amortization	<b>9,214</b>	9,780	<b>18,229</b>	19,736
	<b>230,174</b>	200,438	<b>457,268</b>	407,116
<b>Operating income (loss)</b>	<b>(190,142)</b>	246,838	<b>7,569</b>	410,724
<b>Interest expense</b>				
Short-term debt	<b>8,456</b>	4,043	<b>14,970</b>	9,805
Long-term debt	-	4,986	-	12,384
<b>Income (loss) before income taxes</b>	<b>(198,598)</b>	237,809	<b>(7,401)</b>	388,535
<b>Income tax expense (recovery)</b>	<b>(57,320)</b>	-	<b>5,400</b>	-
<b>Net income (loss) and comprehensive income</b> <i>(note 3)</i>	<b>(141,278)</b>	237,809	<b>(12,801)</b>	388,535
<b>Deficit, beginning of period</b>	<b>(2,472,782)</b>	(3,646,147)	(2,601,259)	(3,796,873)
<b>Deficit, end of period</b>	<b>\$ (2,614,060)</b>	\$ (3,408,338)	<b>\$ (2,614,060)</b>	\$ (3,408,338)
<b>Net income (loss) per share</b> <i>(note 4)</i>				
Basic	<b>\$ (0.01)</b>	\$ 0.01	<b>\$ 0.00</b>	\$ 0.02
Diluted	<b>\$ (0.01)</b>	\$ 0.01	<b>\$ 0.00</b>	\$ 0.02
<b>Weighted average number of shares outstanding</b> <i>(note 4)</i>				
Basic	<b>23,757,370</b>	23,542,370	<b>23,708,061</b>	23,542,370
Diluted	<b>23,757,370</b>	23,744,440	<b>23,708,061</b>	23,786,537

See accompanying notes to the interim financial statements.

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

	Three months ended June 30		Six months ended June 30	
	<b>2007</b>	2006	<b>2007</b>	2006
<b>Operating activities</b>				
Net income (loss)	\$ (141,278)	\$ 237,809	\$ (12,801)	\$ 388,535
Items not involving cash:				
Depreciation and amortization	35,618	35,827	71,044	71,829
Future income taxes	(57,320)	-	5,400	-
Share-based compensation	11,223	8,535	22,324	16,663
Funds generated from operations	(151,757)	282,171	85,967	477,027
Net change in non-cash working capital (note 6)	(1,008,000)	110,313	487,006	(36,308)
Net cash provided by / (used in) operating activities	(1,159,757)	392,484	572,973	440,719
<b>Investing activities</b>				
Additions to property and equipment	(1,243)	(1,012)	(5,047)	(2,540)
Disposition of property and equipment	-	-	1,415	-
Net cash used in investing activities	(1,243)	(1,012)	(3,632)	(2,540)
<b>Financing activities</b>				
Decrease in notes payable	-	(200,000)	-	(300,000)
Decrease in short-term debt	(25,002)	(16,668)	(207,125)	(50,004)
Decrease in long-term debt	(12,168)	(7,479)	(26,373)	(14,961)
Net proceeds from issuance of common shares (note 4)	-	-	20,500	-
Net cash used in financing activities	(37,170)	(224,147)	(212,998)	(364,965)
<b>Change in cash</b>	<b>(1,198,170)</b>	<b>167,325</b>	<b>356,343</b>	<b>73,214</b>
<b>Cash, beginning of period</b>	<b>1,554,513</b>	<b>83,116</b>	<b>-</b>	<b>177,227</b>
<b>Cash, end of period</b>	<b>\$ 356,343</b>	<b>\$ 250,441</b>	<b>\$ 356,343</b>	<b>\$ 250,441</b>

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 operations 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 field burner services.

**2. BASIS OF PRESENTATION**

The unaudited interim financial statements have been prepared by management 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, 2006, except as described below in note 3. These unaudited interim financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2006 audited financial statements included in the Company's Annual Report.

All amounts are stated in Canadian dollars unless otherwise indicated.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Changes for 2007*

Effective January 1, 2007 the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook accounting requirements for Section 3855 "Financial Instruments – Recognition and Measurement", Section 3865 "Hedges", Section 3861 "Financial Instruments – Disclosure and Presentation", Section 1530 "Comprehensive Income", Section 3251 "Equity" and Section 1506 "Accounting Changes". In accordance with the transitional provisions for these new standards, these policies were adopted prospectively without restatement of prior periods.

**Accounting Changes**

This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The adoption of this standard did not have a material impact on the unaudited interim financial statements of the Company.

**Financial Instruments**

All financial instruments, including derivatives, are included on the balance sheet initially at fair value. The financial assets are classified as held for trading, held to maturity, loans and receivables, or available for sale. Financial liabilities are classified as held for trading or other financial liabilities. Subsequent measurement is determined by classification.

Held for trading financial assets and liabilities are initially accounted for at their fair value and changes to fair value are recorded in income. The available for sale classification includes non-derivative financial assets that are designated as available for sale or are not included in the other three classifications. Available for sale instruments are initially accounted for at their fair value and changes to fair value are recorded through other comprehensive income. Income earned from these investments would be included in revenue. Held to maturity financial assets, loans and receivables and other financial liabilities not classified as held for trading are accounted for at their amortized cost using the effective interest method.

Derivatives embedded in other financial instruments or contracts (the host instrument) are recorded as separate derivatives and are measured at fair value if the economic characteristics of the embedded derivative are not closely related to the host instrument, the terms of the embedded derivative are the same as those of a stand alone derivative and the total contract is not held for trading or accounted for at fair value. Changes in fair value are included in income.

All derivatives, other than those that meet the expected purchase, sale or usage requirements exception, are carried on the balance sheet at fair value. The Company used January 1, 2003 as the transition date for identifying embedded derivatives. The Company did not identify any embedded derivatives requiring bifurcation.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. For financial instruments classified as other than held for trading, transaction costs attributable to the acquisition or issue of the financial asset or liability are added to the initial carrying amount of the financial instrument and recognized in earnings using the effective interest method.

In accordance with the standards, the Company adopted the following three classifications:

- Cash is classified as held for trading. Measurement made subsequent to the adoption date of this new standard is at fair value;
- Accounts receivable are classified as loans and receivables. Measurements made subsequent to the adoption date of this new standard are recorded at amortized cost which generally corresponds to cost less any allowances for doubtful accounts; and
- Short-term debt, accounts payable, accrued liabilities and long-term debt are classified under other financial liabilities. Measurements made subsequent to the adoption date of this new standard are recorded at amortized cost using the effective interest rate method. For the Company, this measurement generally corresponds to cost.

## **Hedges**

The new standard specifies the circumstances under which hedge accounting is permissible, how hedge accounting may be performed and where the impacts should be recorded. The standard introduces three specific types of hedging relationships: fair value hedges, cash flow hedges and hedges of a net investment in self-sustaining foreign operations. 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 has not entered into any derivative contracts.

## **Comprehensive Income and Equity**

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. Accumulated other comprehensive income, if applicable, is included in the shareholders' equity section of the balance sheet. The components of the new category will include unrealized gains and losses on financial instruments classified as available for sale and the effective portion of cash flow hedges. The Company had no "other comprehensive income/loss" transactions during the six months ended June 30, 2007.

As at January 1, 2007 no transitional adjustments had been made to the opening balance of retained earnings or to the opening balance of accumulated other comprehensive income arising from the adoption of sections 1530, 3855, and 3865.

## Future Accounting Changes

### Section 1535 Capital Disclosures

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007, the new 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 new section is effective for the Company beginning January 1, 2008.

### Section 3862 Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007, the new CICA Handbook Sections 3862 and 3863 will replace Section 3861 to prescribe the requirements for presentation and disclosure 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. These new sections are effective for the Company beginning January 1, 2008.

### International Financial Reporting Standards (IFRS)

In 2006 the Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements in Canada. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected 5-year transitional period. While Questor has begun assessing the adoption of IFRS for 2011, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

## 4. SHARE CAPITAL

### Shares Issued and Outstanding

	Number of shares	Amount
Shares issued and outstanding, December 31, 2006	23,582,370	\$ 5,188,774
Shares issued for cash on exercise of options	175,000	21,500
<b>Shares issued and outstanding, June 30, 2007</b>	<b>23,757,370</b>	<b>\$ 5,210,274</b>

### Weighted Average Number of Shares Outstanding

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Number of units – Basic <sup>(1)</sup>	<b>23,757,370</b>	23,542,370	<b>23,708,061</b>	23,542,370
Dilutive stock options <sup>(2)</sup>	-	202,070	-	244,167
Number of units – Diluted <sup>(1)</sup>	<b>23,757,370</b>	23,744,440	<b>23,708,061</b>	23,786,537

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

<sup>(2)</sup> Please see discussion in the Net Income (Loss) Per Share section of this note.

## Net Income (Loss) Per Share

The share options outstanding for the three and six-month periods ended June 30, 2007 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.

## 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 June 30, 2007, 4,708,474 shares were reserved for issuance under the plan. To June 30, 2007, options granted under the plan had a term of 5 years to expiry and vested no longer than over a four-year period. At June 30, 2007, outstanding options were exercisable to the year 2011. Options outstanding under the plan had a weighted average exercise price of \$0.12 per share and a weighted average remaining term of 3.12 years. Share-based compensation expense charged to general and administrative expense for the quarter ended June 30, 2007 was \$11,223 (2006 - \$8,535), and for the six months ended June 30, 2007 was \$22,324 (2006 - \$16,663), with a corresponding increase to contributed surplus.

The following tables summarize the information about the Company's share option plan as at June 30, 2007:

	Number of options	Exercise price <sup>(1)</sup>
Share options outstanding, December 31, 2006	1,875,000	\$ 0.12
Granted	-	-
Exercised	(175,000)	0.12
Cancelled	(50,000)	0.10
<b>Share options outstanding, June 30, 2007</b>	<b>1,650,000</b>	<b>\$ 0.12</b>
<b>Share options exercisable, June 30, 2007</b>	<b>593,750</b>	<b>\$ 0.10</b>

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

Options Outstanding			Options Exercisable	
Number Outstanding	Exercise price <sup>(1)</sup>	Remaining contractual life <sup>(2)</sup>	Number Exercisable	Exercise price <sup>(1)</sup>
1,237,500	\$ 0.10	2.74	593,750	\$ 0.10
412,500	0.18	4.25	-	-
<b>1,650,000</b>	<b>\$ 0.12</b>	<b>3.12</b>	<b>593,750</b>	<b>\$ 0.10</b>

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

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

## 5. CONTRIBUTED SURPLUS

	June 30 2007	December 31 2006
Contributed surplus, beginning of period	\$ 81,712	\$ 49,878
Share-based compensation expense	22,324	33,348
Transferred to share capital from exercise of share options	(1,000)	(1,514)
<b>Contributed surplus, end of period</b>	<b>\$ 103,036</b>	<b>\$ 81,712</b>

Share-based compensation expense charged to general and administrative expense for the quarter ended June 30, 2007 was \$11,223 (2006 - \$8,535), and for the six months ended June 30, 2007 was \$22,324 (2006 - \$16,663), with a corresponding increase to contributed surplus.

## 6. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in the following non-cash working capital items increased/(reduced) cash flows related to operations as follows:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Accounts receivable	\$ (3,861,253)	\$ 552,247	\$ (4,114,880)	\$ 213,007
Inventory	(1,950,127)	(224,425)	(2,689,161)	(228,936)
Prepaid expenses and deposits	20,932	7,883	58,478	32,546
Income and other taxes receivable	(54,251)	(29,180)	(54,251)	(29,180)
Accounts payable and accrued liabilities	474,435	(22,463)	651,005	(71,450)
Income and other taxes payable	(1,876)	(38,497)	(7,011)	(12,995)
Deferred revenue and deposits	4,364,140	(135,252)	6,642,826	60,700
	<b>\$ (1,008,000)</b>	<b>\$ 110,313</b>	<b>\$ 487,006</b>	<b>\$ (36,308)</b>

The following cash payment has been included in the determination of net income:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Interest paid	\$ 6,717	\$ 9,029	\$ 13,231	\$ 34,048

## 7. SEGMENTED INFORMATION

The Company reports its business activities as one reportable segment.

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

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
<b>Revenue</b>				
Canada	\$ 264,845	\$ 285,679	\$ 1,094,019	\$ 943,281
International	61,918	665,920	192,392	791,749
	<b>\$ 326,763</b>	<b>\$ 951,599</b>	<b>\$ 1,286,411</b>	<b>\$ 1,735,030</b>

  

	June 30	December 31
	2007	2006
<b>Property and Equipment</b>		
Canada	\$ 901,251	\$ 946,266
International	312,555	320,492
	<b>\$ 1,213,806</b>	<b>\$ 1,266,758</b>

## 8. COMPARATIVE FIGURES

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

## 9. SUBSEQUENT EVENTS

On July 5, 2007, the Company shipped the well testing incinerators and associated equipment manufactured during second quarter 2007 pursuant to the previously announced US\$6.6 million contract with to China Petrochemical International Company Ltd. ("SINOPEC") to supply well testing incinerators. On August 2, 2007, the Company announced the receipt of US\$6.3 million from SINOPEC comprised of US\$4.3 million cash and the US\$2.0 million cash deposit received at the outset of the contract which was now unrestricted upon expiration of the letter of guarantee issued by the Company.. The balance remaining, US\$0.3 million, will be forthcoming once the incinerators are commissioned.

On August 2, 2007, the Company repaid the principal and accrued interest outstanding on its demand loan facility of \$208,404.

On August 27, 2007, Questor entered into a 43-month sub-lease agreement for office space commencing September 1, 2007. The minimum lease payments will be \$32,047 in 2007, \$96,141 in each of 2008, 2009 and 2010, and \$24,035 in 2011.

## **ABOUT QUESTOR TECHNOLOGY INC.**

Questor is an international environmental oil field service company focused on clean air technologies with operations 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 field burner 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 its clients. Questor is recognized for its particular expertise in the combustion of sour gas (H<sub>2</sub>S). In today's environment of increasing regulation to protect air quality and address the public's concerns relating to climate change and global warming, Questor's product offerings are well positioned. While the Company's current client base is primarily in the oil and gas industry, this technology is applicable to other industries such as tire recycling, agriculture, landfills, water and sewage treatment.

Questor trades on the TSX Venture Exchange under the symbol "QST".

For further information contact:

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