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Questor Technology Inc. (QST : TSX-V)

Date: February 20, 2007
Price: \$0.425



KEY INFORMATION

Fiscal Year-end	December 31
52-Week High/Low	\$0.66 - \$0.08
3-Month Avg. Daily Trading Volume	90,477 shares
Market Capitalization	\$10.0 million
Enterprise Value	\$10.4 million
Book Value Per Share	\$0.08
Current Ratio	1.8
Gross Margin	43%
LT Debt to 2006e CF	0.1
LT Debt to Equity	0.0
Price to 2006e Earnings	17.0
Price to 2007e Earnings	4.2

FINANCIAL DATA (000's of Canadian Dollars)

	3 Months Sept. 30		9 Months Sept. 30	
	2006	2005	2006	2005
Revenues	825	356	2,560	1,497
Earnings	107	13	495	157
per share	0.004	0.001	0.021	0.007
Cash Flow	52	(8)	529	167
per share	0.002	(0.000)	0.022	0.007

BALANCE SHEET (as at September 30, 2006)

Current Assets	1,088,053
Total Assets	2,592,074
Current Liabilities	607,341
Long-Term Debt	27,103
Shareholders' Equity	1,957,630

SHARES OUTSTANDING (as at September 30, 2006)

Basic	*23,542,370
Fully-Diluted	25,457,370

*management and insiders own approximately 32% of the common shares issued and outstanding

Highlights:

- signed a significant \$7.8 million contract with an Asian company that is expected to be delivered by the end of Q2 2007
- positive working capital and negligible long-term debt as at September 30, 2006
- growth fueled by increasing environmental regulations, expanding international presence and customer diversification

Founded in 1995, Questor Technology Inc. is a provider of environmentally responsible solutions to the oil and gas industry. The company currently offers waste gas incineration sales, service and rentals with a specialty in sour gas (H₂S) applications.

Questor's sales are derived from western Canada, the United States and several international countries. Although the majority of sales have historically arisen from North America, the company is actively marketing its products internationally. Questor delivered a significant order to Asia in the second quarter of 2006 and secured another major international order in February 2007. The company also has two rental incinerators available for use throughout the Mediterranean region.

Questor designs, manufactures, sells and rents safe, economical and efficient waste gas incinerators that destroy waste hydrocarbon gases. Incineration allows for the complete combustion of waste gas streams, where the only emissions exiting the stack are carbon dioxide and water vapor.

The company's units reduce the fuel gas required to combust low heat content gases, which results in savings for customers. Also, new regulations worldwide are requiring the oil and gas industry to burn waste gas efficiently at a measurable standard. Questor's products enable companies to demonstrate compliance with these government regulations.

When combusting low heat content gases, the

company's units use 80% less fuel gas than a flare, which is the more common method for burning waste gas. The resulting savings can often cover the cost of an incinerator purchase within six months. The flaring method is unable to meet the stringent air quality regulations introduced in many international and U.S. jurisdictions, which require proof of combustion efficiency and compliance. Questor's incinerators provide this information to the user by enabling a measured confirmation of combustion efficiencies.

In Alberta alone, there are more than 5,000 flares where waste natural gas is released to the atmosphere in a partially combusted form. In addition, there are in excess of 2,500 Alberta sites where glycol dehydrators are either vented or flared. These types of situations create significant opportunities for incinerators. The increasing public concern and government regulations regarding air quality and pollution issues are expected to result in a greater awareness for Questor's products.

Over recent years, Questor has expanded its marketing beyond western Canada and North America, and management is particularly optimistic about the prospects in Asia.

On February 6, 2007, Questor reported that it had secured a significant \$7.8 million contract from the China Petrochemical International Company Ltd. to supply well-testing incinerators for Sinopec's Puguang gas field development. The incinerators and associated equipment will be manufactured in Canada and are scheduled to be delivered in the second quarter of 2007. Due to a number of existing successful supplier agreements, and in anticipation of large projects being awarded, Questor already has the required suppliers, services, technical expertise and funds in place to ensure successful delivery and execution. Financing for this project has been

guaranteed through a significant initial deposit and a letter of credit for the balance of the project. Questor's expertise in sour service well testing incinerators and the combustion of high H₂S content gas, especially near communities, was instrumental in Sinopec's decision. The incinerators will be used to assist Sinopec in its development of the Puguang gas field, the largest gas field in China's history.

The China Petrochemical contract marks Questor's second project in Asia within the past year, and the company has received numerous other requests from the region for products and services.

Questor has demonstrated consistent profitable per share growth over the past few years. The company has been expanding its customer base and building a reputation for superior products and field services. With the establishment of a solid business foundation in waste gas incineration for the oil and gas industry, Questor is attempting to expand its business into other industries where waste gas is a concern such as recycling plants, waste water treatment facilities and landfills. Management is also examining ways to expand its services and product lines through heat recovery and cogeneration initiatives.

Although it is uncertain whether the level of revenues from the recently announced Asian contract will be sustainable on a forward-looking basis, it is important to note that this order represents more than three times the sales generated during the entire first nine months of 2006. Management is confident that this will be the first of many significant international orders.

Some of Questor's key 2007 growth drivers include the worldwide focus on air quality, the continued high activity levels in the oil and gas industry, and plans to develop a more diversified customer base and an expanded line of products and services.

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