

NOTE TO READER

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, Questor Technology Inc. discloses that the Company's independent auditor has not reviewed the unaudited condensed consolidated financial statements for the three and six-month periods ended June 30, 2019 and 2018.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Stated in Canadian dollars

As at	Notes	<i>Unaudited</i> June 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		\$9,468,720	\$8,809,644
Trade and other receivables		5,301,868	4,698,093
Inventories		1,789,127	1,070,541
Prepaid expenses and deposits		1,027,636	1,382,581
Current tax assets		465,543	530,158
Total current assets		18,052,894	16,491,017
Non-current assets			
Property and equipment	4,12	18,330,469	13,419,524
Right-of-use assets	5	864,357	-
Intangible assets	6,12	577,927	692,535
Deferred tax assets		-	339,169
Total non-current assets		19,772,753	14,451,228
Total assets		\$37,825,647	\$30,942,245
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables, accrued liabilities and provisions		\$2,528,009	\$1,955,019
Customer deposits		1,167,734	1,169,780
Current portion of lease inducement		-	45,200
Current portion of lease obligations	5	300,188	-
Current tax liabilities		692,438	216,093
Total current liabilities		4,688,369	3,386,092
Non-current liabilities			
Long-term portion of lease obligations	5	564,827	-
Lease inducement		-	258,233
Deferred tax liabilities		568,306	918,465
Total non-current liabilities		1,133,133	1,176,698
Total liabilities		5,821,502	4,562,790
Shareholder's equity			
Issued capital	7	8,142,988	6,381,520
Reserves		1,101,251	1,702,303
Retained earnings		22,777,109	18,265,088
Cumulative translation adjustment		(17,203)	30,544
Total equity		32,004,145	26,379,455
Total liabilities and shareholders' equity		\$37,825,647	\$30,942,245

Contingencies

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The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Stated in Canadian dollars
Unaudited

For the	Notes	Three months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
Revenue	12	\$7,363,483	\$5,733,218	\$15,083,971	\$11,730,155
Cost of sales		2,797,299	2,448,207	6,099,004	4,604,799
Gross Profit		4,566,184	3,285,011	8,984,967	7,125,356
Administration expenses		1,125,538	912,133	2,146,096	1,804,752
Depreciation of property and equipment and right-of-use assets	4,5	22,226	4,809	54,380	13,898
Amortization of intangible assets	6	57,516	89,552	115,032	179,104
Net foreign exchange losses (gains)		209,972	(239,871)	274,156	(366,883)
Other expenses (income)	16	223,460	(674)	315,280	(702)
Profit before tax		2,927,472	2,519,062	6,080,023	5,495,187
Income tax expense		865,620	737,870	1,682,102	1,617,247
Net income		\$2,061,852	\$1,781,192	\$4,397,921	\$3,877,940
Exchange differences on translating foreign operations		21,858	(293)	47,747	171,554
Total comprehensive income		\$2,083,710	\$1,780,899	\$4,445,668	\$4,049,494
Earnings per share	14				
Basic		\$0.08	\$0.07	\$0.16	\$0.15
Diluted		\$0.07	\$0.07	\$0.16	\$0.14

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*Stated in Canadian dollars
Unaudited*

	Notes	Issued capital	Reserves	Retained earnings	Cumulative Translation Adjustment	Total equity
Balance at December 31, 2018		\$6,381,520	\$1,702,303	\$18,265,088	\$30,544	\$26,379,455
Impact of change in accounting policy	3	-	-	114,100	-	\$114,100
January 1, 2019		\$6,381,520	\$1,702,303	\$18,379,188	\$30,544	\$26,493,555
Profit for the period				4,397,921		4,397,921
Share-based payments	7,8	-	124,510	-	-	124,510
Stock options exercised	7,8	1,761,468	(725,562)	-	-	1,035,906
Translation of foreign operations		-	-	-	(47,747)	(47,747)
Balance at June 30, 2019		\$8,142,988	\$1,101,251	\$22,777,109	\$(17,203)	\$32,004,145
Balance at December 31, 2017		\$6,262,931	\$1,395,010	\$11,127,564	\$(6,286)	\$18,779,219
Profit for the year		-	-	3,877,940	-	3,877,940
Share-based payments	7,8	-	208,215	-	-	208,215
Stock options exercised	7,8	33,945	(14,106)	-	-	19,839
Translation of foreign operations		-	-	-	(293)	(293)
Balance at June 30, 2018		\$6,296,876	\$1,589,119	\$15,005,504	\$(6,579)	\$22,884,920

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Stated in Canadian dollars
Unaudited

For the	Notes	Three months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
Cash flows from operating activities					
Profit for the period		\$2,061,852	\$1,781,192	4,397,921	\$3,877,940
Adjustments for:					
Income tax expense		865,620	737,870	1,682,102	1,617,247
Depreciation of property and equipment and right-of-use assets	4,5	589,074	334,356	1,070,101	656,151
Lease inducement		-	11,200	-	22,400
Amortization of intangible assets	6	57,517	89,552	115,032	179,104
Lease interest		13,585	-	25,561	-
Share-based payments	8	73,429	102,902	124,510	208,215
Movements in non-cash working capital	15	1,678,084	396,814	65,507	457,897
Income taxes (paid)		(668,681)	(429,299)	(1,178,861)	(2,090,088)
Net cash from operating activities		4,670,480	3,024,587	6,301,873	4,928,866
Cash used in investing activities					
Payments for property and equipment		(2,664,165)	(1,165,729)	(6,133,017)	(3,987,251)
Proceeds of disposition of property and equipment		45,689	-	76,589	-
Net cash used in investing activities		(2,618,476)	(1,165,729)	(6,056,428)	(3,987,251)
Cash from financing activities					
Proceeds from exercise of stock options		412,169	19,840	708,107	19,840
Lease obligations principal payments		(94,739)	-	(167,107)	-
Net cash from financing activities		317,430	19,840	541,000	19,840
Net increase in cash					
Cash at beginning of the period		7,185,267	2,987,871	8,809,644	3,847,862
Effects of exchange rate changes on the balance of cash held in foreign currencies		(85,981)	5,055	(127,369)	62,307
Cash at end of the period		\$9,468,720	\$4,871,624	\$9,468,720	\$4,871,624

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

*Stated in Canadian dollars unless otherwise specified
Unaudited*

1. DESCRIPTION OF BUSINESS

Questor Technology Inc. ("Questor" or the "Company") is incorporated in Canada under the Business Companies Act (*Alberta*). Questor is a public, environmental Cleantech company founded in 1994 and headquartered in Calgary, Alberta, with field offices located in; Grande Prairie, Alberta; Brighton, Colorado; Watford City, North Dakota and Brooksville, Florida. The Company is active in Canada and the United States and is focused on clean air technologies that safely and cost effectively improve air quality, support energy efficiency and greenhouse gas emission reductions. Questor designs, manufactures and services high efficiency waste gas combustion systems. The Company's proprietary incinerator technology is utilized in the effective management of Methane, Hydrogen Sulphide gas, Volatile Organic Hydrocarbons, Hazardous Air Pollutants and BTEX gases ensuring sustainable development, community acceptance and regulatory compliance. Questor and its subsidiary, ClearPower Systems Inc. has developed heat to power generation technology and is currently marketing the power generation solutions to various markets including landfill biogas, syngas, waste engine exhaust, geothermal and solar, cement plant waste heat in addition to a wide variety of oil and gas projects.

The Company's common shares are traded on the TSX Venture Exchange under the symbol "QST". The address of the Company's corporate and registered office is 2240, 140 – 4 Avenue S.W. Calgary, Alberta, Canada, T2P 3N3.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual consolidated financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018. All financial information is reported Canadian dollars, unless otherwise noted.

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 3 "Summary of Significant Accounting Policies" of the Company's audited consolidated financial statements for the year ended December 31, 2018. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous financial year, except as noted in Note 3 "Changes in Accounting Policies". There have been no significant changes to the use of estimates or judgments since December 31, 2018.

All inter-company transactions have been eliminated upon consolidation between the Company and any subsidiaries in these financial statements. The Company's operations are viewed as a single operating segment by the chief operating decision maker of the Company for the purpose of resource allocation and assessing performance.

These financial statements were authorized for issue by the Company's Board of Directors on August 23, 2019.

3. CHANGES IN ACCOUNTING POLICIES

The IASB issued IFRS 16 Leases, which requires that lessees recognize lease liabilities and right-of-use (“ROU”) assets related to its lease commitments on the balance sheet. The company adopted IFRS 16 on the effective date of January 1, 2019.

Initial Adoption

The Company has elected to apply IFRS 16 using a modified retrospective approach which does not require the restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening retained earnings at January 1, 2019 and applies the standard prospectively. The following table details the impact of the adoption of IFRS 16 on the Company's balance sheet, as at January 1, 2019:

Impact on Balance Sheet Item		\$
ROU assets	Increase	775,940
Current portion of lease obligations	Increase	261,723
Long-term portion of lease obligations	Increase	514,217
Current and long-term portion of lease inducement	Decrease	303,433
Properties and equipment	Decrease	189,333
Deferred tax liabilities	Increase	19,152
Retained earnings	Increase	114,100

At January 1, 2019, the Company applied the following optional expedients permitted under the standard:

- Leases whose terms end within 12 months of initial adoption have been recognized as short-term leases;
- Leases having similar characteristics are measured on transition as a portfolio by applying a single discount rate;
- Leases having a low dollar value are not recognize as a ROU asset
- Use hindsight in determining the lease term where a contract contains terms to extend or terminate the lease.

On transition to IFRS 16 under the modified retrospective approach, lease payments are discounted using the Company's incremental borrowing rate as of January 1, 2019. The Company used a weighted average incremental borrowing rate of 4.95 per cent to measure the present value of the future lease payments on January 1, 2019.

The adoption of IFRS 16 had an immaterial impact on the Company's reported bank covenants.

Ongoing Recognition and Measurement

On the date that the leased asset becomes available for use, the Company recognizes an ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the consolidated statements of comprehensive income over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation of property and equipment expense.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments which may include: fixed lease payments and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is composed of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

4. PROPERTY AND EQUIPMENT

	Rental incinerators and trailers	Light vehicles, tools & equipment	Waste heat to power generator	Office equipment & leasehold improvements	Total
Cost					
Balance at December 31, 2017	\$13,134,166	\$796,138	\$159,268	\$427,077	\$14,516,649
Additions	3,434,313	161,510	-	\$28,659	3,624,482
Disposals	(142,188)	-	-	-	(142,188)
Foreign operation adjustments	-	11,035	-	(222)	10,813
Balance at December 31, 2018	\$16,426,291	\$968,683	\$159,268	\$455,514	\$18,009,756
Additions	5,850,151	265,272	-	10,521	6,125,944
Disposals	(111,379)	-	-	-	(111,379)
Impact of changes in accounting policies (Note 3)	-	-	-	(240,000)	(240,000)
Foreign operation adjustments	-	(23,230)	-	(426)	(23,656)
Balance at June 30, 2019	\$22,165,063	\$1,210,725	\$159,268	\$225,609	\$23,760,665
Accumulated depreciation					
Balance at December 31, 2017	\$2,620,223	\$393,241	\$31,854	\$114,868	\$3,160,186
Depreciation charges included in:					
Cost of sales	1,334,740	103,229	-	-	1,437,969
Disposal	(61,240)	-	-	-	(61,240)
Depreciation expense	-	-	-	53,317	53,317
Balance at December 31, 2018	\$3,893,723	\$496,470	\$31,854	\$168,185	\$4,590,232
Depreciation charges included in:					
Cost of sales	847,405	55,922	-	236	903,563
Disposals	(34,432)	-	-	-	(34,432)
Impact of changing in accounting policy	-	-	-	(50,452)	(50,452)
Depreciation expense	-	-	-	21,285	21,285
Balance at June 30, 2019	\$4,706,696	\$552,392	\$31,854	\$139,254	\$5,430,196
Carrying amounts					
At December 31, 2018	\$12,532,568	\$472,213	\$127,414	\$287,329	\$13,419,524
At June 30, 2019	\$17,458,367	\$658,333	\$127,414	\$86,355	\$18,330,469

5. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Buildings Use Rights
Cost	
Balance, January 1, 2019	\$775,940
Additions	236,877
Foreign operation adjustments	(3,207)
Balance at June 30, 2019	\$1,009,610
Accumulated Depreciation	
Balance, January 1, 2019	-
Depreciation on right-of-use assets expensed	145,253
Balance at June 30, 2019	\$145,253
Carrying Amounts	
At January 1, 2019	\$775,940
At June 30, 2019	\$864,357
Lease Obligations	
Balance, January 1, 2019	\$775,940
Additions	236,877
Interest	25,561
Repayments	(167,107)
Foreign operation adjustments	(6,256)
Balance at June 30, 2019	\$865,015
Lease obligations due within one year	\$300,188
Lease obligations due beyond one year	\$564,827

6. INTANGIBLE ASSETS

	Waste heat to power development	Design Drawings	Patents	Total
Cost				
Balance at December 31, 2018 and June 30, 2019	\$1,733,263	\$341,952	\$15,225	\$2,090,440
Accumulated Amortization				
Balance at December 31, 2017	827,074	327,353	12,992	1,167,419
Amortization expense	226,444	2,400	1,218	230,062
Balance at December 31, 2018	\$1,053,518	\$329,753	\$14,210	\$1,397,481
Amortization expense	113,222	1201	609	115,032
Balance at June 30, 2019	\$1,166,740	\$330,954	\$14,819	\$1,512,513
Carrying Amounts				
At December 31, 2018	679,321	12,199	1,015	692,535
At June 30, 2019	\$566,523	\$10,998	\$406	\$577,927

7. ISSUED CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

Shares issued and outstanding	Number of shares	Share capital
Shares issued and outstanding December 31, 2018	26,502,870	\$6,381,520
Stock options exercised	649,375	1,761,468
Shares issued and outstanding, June 30, 2019	27,152,245	\$8,142,988

8. SHARE-BASED PAYMENTS

The Board of Directors has adopted and approved a share option plan for the directors, officers, consultants and key employees and affiliates of the Company. The share option plan was approved by the shareholders of the Company on June 15, 2001 and as amended on September 15, 2016. The maximum number of common shares reserved for issuance is fixed at 10% of the number of common shares of the Company issued and outstanding.

On May 14, 2019 the Board of Directors approved performance share unit and restricted share unit plan ("PSU&RSU Plan"). The PSU&RSU Plan was subsequently approved by the shareholders of the Company on July 10, 2019. The implementation of the PSU&RSU Plan has been adopted to provide a vehicle by which equity-based incentives may be awarded to directors and officers, as well as select employees and consultants to incentivize the long-term success of the Corporation. The Board, through the Company's Compensation Sub-committee, may in its sole discretion, grant PSUs and RSUs to select individuals. The maximum number of equity-based compensation units including Stock Options, PSUs and RSUs that may be reserved for issuances shall not exceed 10% of the outstanding Common Shares of the Corporation which is in accordance with the current Stock Option plan. At June 30, 2019, the Company has not granted any performance share units or restricted share units to any directors and officers, employees or consultants.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Options granted under the plan have a term of five years to expiry and one quarter of the options vest on each of the first, second, third and fourth anniversary dates of the grant date on a cumulative basis.

The share options outstanding and exercisable at June 30, 2019 are as follows:

	Number	Exercise price ⁽¹⁾
Balance at beginning of the period	1,563,000	\$1.43
Granted	257,500	5.09
Exercised	(649,375)	0.91
Forfeited	(3,500)	2.35
Balance at end of period	1,167,625	\$2.14
Exercisable at end of period	176,750	\$1.08

(1) *Weighted average.*

SHARE-BASED PAYMENTS (Continued)

Stock options vest equally over four years and expire five years from the date of grant. The exercise price of outstanding options range from \$0.65 to \$5.09 with a weighted average remaining life of 3.28 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2019, determined using the Black-Scholes valuation method, was \$2.90 per option (six months ended June 30, 2018 – \$nil). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Six Months Ended June 30,	2019
Expected Life	5 years
Expected Volatility	72.4%
Risk-free rate	1.48%
Expected Dividends	\$-

The following share-based payment arrangements were in existence at

June 30, 2019

Number outstanding	Grant date	Expiry date	Remaining contractual life	Exercise price	Fair value at grant date	Number exercisable
50,000	20-Jan-16	20-Jan-21	1.56	0.77	0.56	-
452,500	7-Dec-16	7-Dec-21	2.44	0.65	0.44	132,500
112,500	10-Oct-17	10-Oct-22	3.28	1.40	0.86	-
295,125	1-Dec-17	1-Dec-22	3.42	2.35	1.44	44,250
257,500	27-May-19	26-May-24	4.90	5.09	2.90	-
1,167,625			3.28 (1)	\$ 2.14 (1)		176,750

December 31, 2018

Number outstanding	Grant date	Expiry date	Remaining contractual life	Exercise price	Fair value at grant date	Number exercisable
252,500	15-Apr-14	15-Apr-19	0.29	\$ 2.48	\$ 1.76	252,500
20,000	09-Jun-14	09-Jun-19	0.44	3.99	2.78	20,000
200,000	20-Jan-16	20-Jan-21	2.06	0.77	0.56	100,000
640,000	7-Dec-16	7-Dec-21	2.94	0.65	0.44	320,000
112,500	10-Oct-17	10-Oct-22	3.77	1.40	0.86	-
338,000	1-Dec-17	1-Dec-22	3.92	2.35	1.44	84,500
1,563,000			2.64 (1)	\$ 1.43 (1)		777,000

(1) *Weighted average*

9. 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 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 10. At June 30, 2019, Questor was in compliance with these covenants.

The Company's capital structure consists of equity and cash. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing credit facilities, raise new debt and issue common shares. It is expected, however, that Questor's funds generated from operations and cash amounts will provide sufficient capital resources and liquidity to fund existing operations in 2019 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 borrowings unadjusted for cash balances. Equity is defined as capital and reserves attributable to equity holders. Total capitalization is defined as the sum of debt unadjusted for cash balances and the book value of equity.

The debt-to-total capitalization ratio was as follows:

As at June 30, 2019	
Short-term borrowings	\$-
Long-term borrowings	-
Debt	-
Equity	32,004,145
Total capitalization	\$32,004,145
Debt-to-total capitalization ratio	0.00%

10. BORROWINGS FACILITIES

The Company has in place an Operating Loan Facility, Capital Loan Facility and an Export Development Canada ("EDC") Secured Letter of Guarantee Facility (the "Borrowing Facilities").

Operating Loan Facility

The Company's revolving demand operating facility is \$1,000,000, the availability of which is subject to specified margin requirements. The revolving demand operating loan bears interest at bank prime plus 1 percent per annum. Up to \$100,000 of this loan is available to secure the issue of letters of credit and/or letters of guarantee for suppliers.

Capital Loan Facility

The capital loan facility was secured to assist in the financing of capital expenditures. The facility makes available a revolving demand capital loan to a maximum of \$5,000,000. The revolving demand capital loan bears interest at bank prime plus 1.25 percent per annum.

The capital loan facility is available by way of multiple advances, (by delivery of a required notice to the bank. The initial advance can be made available and completed based on the net book value ("NBV") of existing fixed assets. Fixed assets are defined as rental fleet, equipment and vehicles/trailers, to a maximum amount of 60% of NBV.

BORROWING FACILITIES (Continued)

Subsequent advances are to be supported by a true and complete summary of capital expenditures, to a maximum amount of 100% of costs incurred.

The combined advances of the capital loan facility cannot, at any time, exceed 60% loan to value ("LTV") of the combination of i) NBV of fixed assets, as per the most recent fiscal year-end financial reporting, and ii) the aggregate amount of all invoices funded under the capital loan facility subsequent to the most recent fiscal year end reporting but prior to an updated reporting being received. Should advances exceed 60% LTV, the Company is to pay down the capital loan by an amount equal to or greater than that which is required to reduce LTV to less than or equal to 60%, based on the then most recent reporting.

Export Development Canada ("EDC") Secured Letter of Guarantee Facility

The EDC facility is secured to assist in the financing of the day to day operations of the Company through the issuance by the Bank of letters of guarantee, standby letters of credit, performance bonds, counter guarantees, counter standby letters of credit or similar credits from time to time (each an "LG") upon the instructions of the Company. The EDC facility is available to maximum of \$2,000,000 and bears interest at bank prime plus 1.0 percent per annum. The availability of each LG shall be at the discretion of the Bank and subject to the various stated conditions. LGs are available for terms of up to 12 months and require satisfactory the performance security guarantees ("PSG") from EDC (or guarantees from private insurance companies acceptable to the Bank) in the amount and terms of the obligation. In the event EDC (or private insurance company) does not extend coverage under the PSG, the Company is required to provide security in form and substance satisfactory to EDC. At the time of issuance by the EDC of each Performance LG, a fee equal to 1.50% per annum is calculated against the face amount and over the term of the performance LG.

Borrowing Facilities

All of the Borrowing Facilities have financial tests and other covenants customary for these types of facilities. At the end of each fiscal quarter the Company's debt-to-tangible-net-worth must be less than 2.5 and the Company's working capital ratio must be greater than 1.25. At the end of each fiscal year, Questor's debt service coverage ratio must be in excess of 1.25.

None of the Borrowing Facilities are subject to standby fees and there is no specified facility expiration or renewal date. The Company has provided a general security agreement and an assignment of insurance proceeds as security.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist, from time to time, of cash and cash equivalents, short-term investments, trade and other receivables, short-term and long-term borrowings and trade payables, accrued liabilities and provisions. The carrying amounts of the current financial assets and current financial liabilities recognized in the Company's consolidated financial statements at the end of each reporting period approximate their fair value due to their short period to maturity. At June 30, 2019, there were no investments, short-term or long-term borrowings outstanding. The Company did not hold or issue any derivative financial instruments during the period.

IFRS 9 Financial Instruments requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Company's assessment, an allowance for doubtful accounts of approximately 1% of outstanding receivables has been recorded using the lifetime expected credit loss model. The expected credit loss rate is based on the Company's actual credit loss experience over the past 5 years. The analysis was consistent when compared to the Company's actual credit loss experience over the past 8 years or 10 years.

12. SEGMENTED INFORMATION

The Company reports its financial results as one reportable segment.

The following table provides information regarding the location of the Company's revenue and non-current assets on a geographic basis as determined by the location of the customer or third party.

For the three months ended June 30, 2019	Canada	United States	International	Consolidated
Equipment sales	\$264,232	\$102,382	\$1,554,293	\$1,920,907
Equipment rentals	-	4,771,526	-	4,771,526
Services & repairs	26,349	644,701	-	671,050
	\$290,581	\$5,525,143	\$1,554,293	\$7,363,483

For the three months ended June 30, 2018	Canada	United States	International	Consolidated
Equipment sales	\$2,430	\$1,553,148	\$-	\$1,555,578
Equipment rentals	63,700	3,311,498	-	3,375,198
Services & repairs	46,021	756,421	-	802,442
	\$112,151	\$5,621,067	\$-	\$5,733,218

For the six months ended June 30, 2019	Canada	United States	International	Consolidated
Equipment sales	\$832,507	\$139,350	\$3,436,970	\$4,408,827
Equipment rentals	21,400	9,212,530	-	9,233,930
Services & repairs	115,334	1,295,858	30,022	1,441,214
	\$969,241	\$10,647,738	\$3,466,992	\$15,083,971

For the six months ended June 30, 2018	Canada	United States	International	Consolidated
Equipment sales	\$93,507	\$2,577,414	\$-	\$2,670,921
Equipment rentals	159,150	7,531,389	-	7,690,539
Services & repairs	90,332	1,260,507	17,856	1,368,695
	\$342,989	\$11,369,310	\$17,856	\$11,730,155

Property and equipment

As at	June 30, 2019	December 31, 2018
Canada	\$491,411	\$1,099,763
United States	17,839,058	12,319,761
	\$18,330,469	\$13,419,524

Intangible assets

As at	June 30, 2019	December 31, 2018
Canada	\$577,927	\$692,535
United States	-	-
	\$577,927	\$692,535

13. INFORMATION ABOUT MAJOR CUSTOMERS

During the three months ended June 30, 2019, considering individual customers comprising greater than 10% of total revenues, two customers (2018 – two) comprised 52% (2018 – 72%) of the Company's total revenue.

During the six months June 30, 2019, considering individual customers comprising greater than 10% of total revenues, two customers (2018 – two) comprised 50% (2018 – 75%) of the Company's total revenue.

As at June 30, 2019, considering individual customers comprising greater than 10% of total trade and other accounts receivable, two customers (2018 - one) comprised 42% (2018-57%)

14. EARNINGS PER SHARE

Basic earnings per share

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Profit for the period attributable to ordinary equity holders	\$2,061,852	\$1,781,192	\$4,397,921	\$3,877,940
Weighted average number of ordinary shares for the purposes of basic earnings per share	27,099,237	26,462,820	26,923,467	26,460,110
Basic earnings per share	\$0.08	\$0.07	\$0.16	\$0.15

Diluted earnings per share

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Profit for the period attributable to ordinary equity holders	\$2,061,852	\$1,781,192	\$4,397,921	\$3,877,940
Weighted average number of ordinary shares for the purposes of diluted earnings per share	27,768,061	27,408,520	27,576,801	27,445,678
Diluted earnings per share	\$0.07	\$0.07	\$0.16	\$0.14

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares for the purposes of basic earnings per share	27,099,237	26,462,820	26,923,467	26,460,110
Shares deemed to be issued for no consideration in respect of employee options	668,824	945,700	653,334	985,568
Weighted average number of ordinary shares for the purposes of diluted earnings per share	27,768,061	27,408,520	27,576,801	27,445,678

15. MOVEMENTS IN NON-CASH WORKING CAPITAL

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Trade and other receivables	\$1,335,801	\$1,084,030	\$140,422	\$293,354
Inventories	(689,084)	(147,153)	(718,582)	86,595
Prepaid expenses and deposits	60,311	395,355	354,945	840,469
Trade payables, accrued liabilities and provisions	(137,011)	(543,294)	290,767	(993,227)
Deferred revenue and deposits	1,108,067	(403,324)	(2,045)	208,306
Lease inducements	-	11,200	-	22,400
	\$1,678,084	\$396,814	\$65,507	\$457,897

16. OTHER EXPENSES (INCOME)

The Company incurred legal expenses related to intellectual property litigation. The Company is the plaintiff and is taking action to protect and enforce certain intellectual property rights. The legal expenses relating to this action is \$237,000 for the three months ended June 30, 2019 (2018 – nil) and \$357,000 for the six months ended June 30, 2019 (2018 – nil) are included in other expenses (income).

17. RELATED PARTY TRANSACTIONS

In April 2019, the Company provided loans to one senior executive officer and one Director. The purpose of the loans is to allow the individuals to exercise stock options and for payment of related taxes upon option exercise. The loans are on a recourse basis and secured by a promissory note. The loans are non-interest bearing with maturities less than 120 days.

The Company loaned the senior executive officer \$305,840 on April 15, 2019. The full principal amount is due and payable upon the maturity date of August 13, 2019. The full loan amount is outstanding at June 30, 2019 and is classified as other receivables.

The Company loaned the Director \$83,640 on April 30, 2019. The loan was repaid in full on May 27, 2019.

18. SEASONALITY AND CYCLICALITY OF OPERATIONS

There are a number of factors contributing to quarterly variations that may not be reflective of the Company's future performance. A significant portion of the Company's operations are carried on in Western Canada and Northern United States where activity levels in the oilfield services industry are subject to a degree of seasonality due to volatility in the weather and temperatures. Oilfield services demand is driven by customer capital spending and drilling programs which are affected by oil and natural gas commodity prices, changes in legislation and seasonal behaviours. Other factors causing variation include the Company's mix of products and services delivered, and the currency in which the sales are transacted.

19. CONTINGENCIES

From time to time, the Company is subject to costs and other effects of legal proceedings, settlements, investigations, claims and actions. The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses potential liabilities by analyzing the claims using available information. The Company develops its views on estimated losses in consultation with outside counsel handling our defense in these matters. Should developments in any of these matters cause a change in our determination as to an unfavorable outcome and result in the need to recognize a material accrual, or should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on results of operations, cash flows and financial position in the period or periods in which such change in determination, judgment or settlement occurs.

Notwithstanding the uncertainty as to the final outcome, based on the information currently available to it, the Company does not currently believe these matters in aggregate will have a material adverse effect on its consolidated financial position.