
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 and six month periods ended June 30, 2010 and June 30, 2009.

QUESTOR TECHNOLOGY INC.
BALANCE SHEETS
(unaudited)

As at	June 30 2010	December 31 2009
ASSETS		
Current assets		
Cash (note 3)	\$ 3,056,440	\$ 3,080,997
Accounts receivable	968,580	864,260
Income and other taxes receivable	291,091	306,850
Inventory (note 4)	1,036,708	433,145
Prepaid expenses and deposits	137,633	101,072
Deferred expenses	-	2,356
Future income tax asset	50,113	50,113
	5,540,565	4,838,793
Property and equipment	1,377,761	1,418,524
Intangibles	11,368	15,682
	\$ 6,929,694	\$ 6,272,999
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 613,712	\$ 348,150
Current portion of long-term debt	5,077	15,232
Income and other taxes payable	21,822	19,034
Deferred revenue and deposits	485,618	198,641
Future income tax liability	691	2,281
	1,126,920	583,338
Future income tax liability	87,698	74,057
	1,214,618	657,395
Shareholders' equity		
Share capital (note 5)	5,300,544	5,265,736
Contributed surplus (note 6)	510,179	447,651
Retained earnings (deficit)	(95,647)	(97,783)
	5,715,076	5,615,604
	\$ 6,929,694	\$ 6,272,999

See accompanying notes to the interim financial statements.

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

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Revenue				
Incinerator sales and services	\$ 761,998	\$ 932,382	\$ 851,324	\$ 1,504,974
Incinerator rentals and services	302,265	132,024	547,891	571,294
Combustion services	96,307	115,169	249,472	261,175
	1,160,570	1,179,575	1,648,687	2,337,443
Less: Direct costs	684,758	809,712	1,012,333	1,523,605
	475,812	369,863	636,354	813,838
Other revenue	632	49,009	2,143	54,337
Expenses				
General and administrative	328,903	333,592	653,058	698,219
Foreign exchange loss (gain)	(98,224)	20,980	(50,929)	(21,359)
Depreciation and amortization	3,704	10,369	10,634	20,626
	234,383	364,941	612,763	697,486
Income before interest expense and income tax expense	242,061	53,931	25,734	170,689
Interest expense	504	504	1,008	1,330
Income before income tax expense	241,557	53,427	24,726	169,359
Income tax expense (recovery)				
Current income tax	10,539	33,532	10,539	62,111
Future income tax	63,862	(1,136)	12,051	3,528
Net income and comprehensive income	167,156	21,031	2,136	103,720
Retained earnings (deficit), beginning of period	(262,803)	86,869	(97,783)	4,180
Retained earnings (deficit), end of period	\$ (95,647)	\$ 107,900	\$ (95,647)	\$ 107,900
Net income per share (note 5)				
Basic and diluted	\$ 0.007	\$ 0.001	\$ 0.000	\$ 0.004
Weighted average number of shares outstanding (note 5)				
Basic	24,067,260	24,007,370	24,037,480	24,007,370
Diluted	24,603,163	24,709,526	24,614,993	24,553,537

See accompanying notes to the interim financial statements.

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

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Operating activities				
Net income	\$ 167,156	\$ 21,031	\$ 2,136	\$ 103,720
Items not affecting cash:				
Depreciation	35,048	33,351	70,240	64,503
Amortization	304	7,250	4,314	14,500
Unrealized foreign exchange loss (gain)	(178,938)	20,954	(131,681)	62,839
Future income tax (recovery)	63,862	(1,136)	12,051	3,528
Share-based compensation (note 5)	41,449	41,311	79,836	79,511
	128,881	122,761	36,896	328,601
Net change in non-cash working capital (note 11)	(464,400)	(150,896)	(171,538)	(290,954)
	(335,519)	(28,135)	(134,642)	37,647
Investing activities				
Additions of property and equipment	(24,921)	(30,303)	(28,360)	(100,823)
	(24,921)	(30,303)	(28,360)	(100,823)
Financing activities				
Repayment of long-term debt	(5,078)	(9,883)	(10,155)	(19,766)
Exercise of share options	17,500	-	17,500	-
	12,422	(9,883)	7,345	(19,766)
Effect of exchange rates on cash	176,035	(24,945)	131,100	(68,268)
Decrease in cash	(171,983)	(93,266)	(24,557)	(151,210)
Cash, beginning of period	3,228,423	3,201,093	3,080,997	3,259,037
Cash, end of period	\$ 3,056,440	\$ 3,107,827	\$ 3,056,440	\$ 3,107,827

See accompanying notes to the interim financial statements.

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

1. NATURE OF OPERATIONS

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

Questor is an international environmental oilfield services provider focused on clean air technologies with activities in Canada, the United States, Europe and Asia. The principal business activities are designing and manufacturing high efficiency waste gas incinerators for sale or for use on a rental basis and providing combustion-related oilfield services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared by management in Canadian dollars in accordance with Canadian generally accepted accounting principles (“GAAP”). These unaudited interim financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the 2009 audited financial statements included in the Company’s annual report. The accounting policies applied are consistent with those outlined in the Company’s audited financial statements for the year ended December 31, 2009.

Future Accounting Changes

International Financial Reporting Standards

All publicly accountable enterprises are required to adopt International Financial Reporting Standards (“IFRS”) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and are required to restate comparative figures. The Company expects that the adoption of IFRS will impact accounting policies, financial reporting, information systems and business processes. Questor is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position, results of operations and disclosures is not yet fully determined.

Business Combinations

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

Consolidated Financial Statements and Non-controlling Interests

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

3. CASH

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

As at	June 30 2010	December 31 2009
United States dollars	\$ 1,755,050	\$ 1,364,779
Euros	1,351	1,554
Other non-Canadian	197	137
	1,756,598	1,366,470
Canadian dollars	1,299,842	1,714,527
	\$ 3,056,440	\$ 3,080,997

4. INVENTORY

As at	June 30 2010	December 31 2009
Materials and supplies	\$ 103,646	\$ 67,642
Work in progress	933,062	291,166
Finished goods	-	74,337
	\$ 1,036,708	\$ 433,145

In the three and six month periods ended June 30, 2010, the carrying amount of inventory charged to direct costs was \$38,101 (2009 - \$526,307) and \$74,102 (2009 - \$906,427), respectively.

Included in the cost of inventory recognized as an expense in the three and six month periods ended June 30, 2010 were materials and supplies written down from cost to net realizable value in the amount of \$1,904 (2009 - \$78) and \$1,943 (2009 - \$237), respectively. There were no reversals of any write-downs in the current or comparative periods.

5. SHARE CAPITAL

Shares Issued and Outstanding

	Number	Amount
Shares issued and outstanding, December 31, 2009	24,007,370	\$ 5,265,736
Shares issued on exercise of options	175,000	34,808
Shares issued and outstanding, June 30, 2010	24,182,370	\$ 5,300,544

Share Option Plan

The Company has a share option plan under which directors, officers, key employees and consultants of Questor are eligible to receive grants at market prices. Options may be granted to purchase authorized but unissued common shares of the Company to a maximum of 4,708,474 shares. To June 30, 2010, options granted under the plan had a term of five years to expiry and vested no longer than over a four-year period.

Share-based compensation expense for the three and six month periods ended June 30, 2010 was \$41,449 (2009 - \$41,311) and \$79,836 (2009 - \$79,511), respectively. Of these amounts, \$8,450 (2009 - \$7,195) and

\$15,708 (2009 – 13,613), respectively, were included in direct costs and the balance in general and administrative expense.

The following tables summarize the information about the Company's share option plan as at June 30, 2010:

	Number of options	Exercise price ⁽¹⁾
Share options outstanding, December 31, 2009	2,175,000	\$ 0.33
Granted	300,000	0.27
Exercised	(175,000)	(0.10)
Share options outstanding, June 30, 2010	2,300,000	\$ 0.34
Share options exercisable, June 30, 2010	1,237,500	\$ 0.31

⁽¹⁾ *Weighted average.*

At June 30, 2010:

Options Outstanding			Options Exercisable		
Number Outstanding	Exercise price ⁽¹⁾	Remaining contractual life ⁽²⁾	Number Exercisable	Exercise price ⁽¹⁾	
525,000	\$ 0.10	0.39	525,000	\$ 0.10	
300,000	0.18	1.25	225,000	0.18	
400,000	0.25	3.84	100,000	0.25	
300,000	0.27	4.82	-	-	
75,000	0.43	2.79	37,500	0.43	
700,000	0.67	2.16	350,000	0.67	
2,300,000	\$ 0.34	2.30	1,237,500	\$ 0.31	

⁽¹⁾ *Weighted average.*

⁽²⁾ *Weighted average number of years.*

Weighted Average Number of Shares Outstanding

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Number of shares – Basic	24,067,260	24,007,370	24,037,480	24,007,370
Dilutive share options	535,903	702,156	577,513	546,167
Number of shares – Diluted	24,603,163	24,709,526	24,614,993	24,553,537

775,000 share options were excluded in the computation of weighted average number of diluted shares outstanding for the three and six month periods ended June 30, 2010 and June 30, 2009 because the average market price of Questor's shares during these periods was lower than the exercise price of these share options and therefore they were anti-dilutive.

6. CONTRIBUTED SURPLUS

	Six months ended June 30 2010	Year ended December 31 2009
Contributed surplus, beginning of period	\$ 447,651	\$ 283,552
Share-based compensation expense	79,836	164,099
Transferred to share capital from exercise of share options	(17,308)	-
Contributed surplus, end of period	\$ 510,179	\$ 447,651

7. GOVERNMENT ASSISTANCE

In second quarter 2009, the Company received government assistance of \$44,078 as a consequence of Scientific Research and Experimental Development claims. This amount was included in other revenue.

8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements other than the financial tests and covenants associated with its credit facilities as described in Note 7 to the Company's audited financial statements for the year ended December 31, 2009. At June 30, 2010, Questor was in compliance with these covenants.

The Company's capital structure consists of shareholders' equity, short-term and long-term debt, and cash. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing debt, raise new debt and issue common shares. It is expected, however, that Questor's funds generated from operations and cash amounts will provide sufficient capital resources and liquidity to fund existing operations in 2010 and anticipated capital expenditures.

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

The debt-to-total capitalization ratios at June 30, 2010 and December 31, 2009 were as follows:

As at	June 30 2010	December 31 2009
Long-term debt – current and non-current	\$ 5,077	\$ 15,232
Shareholders' equity	5,715,076	5,615,604
Total capitalization	5,720,153	5,630,836
Debt-to-total capitalization ratio (%)	0.1	0.3

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to market risk and potential loss from changes in the value of financial instruments.

Fair Value

The carrying value of the current financial assets and liabilities of Questor approximate their fair value due to their short period to maturity. The carrying value of short-term debt approximates the fair value as it bears interest at a floating interest rate as described in Note 7 to the Company's audited financial statements for the year ended December 31, 2009. The carrying value of long-term debt also approximates fair value as the fair value of long-term debt is estimated using discounted cash flows based on current rates of interest.

The Company categorizes its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. At June 30, 2010, Questor valued cash using Level 1 inputs. At June 30, 2010, the Company did not have any assets and liabilities measured at fair value on a recurring basis using Level 2 or Level 3 inputs.

The Company assesses quarterly if there should be any impairment of the financial assets of the Company. At June 30, 2010 there was no impairment required on any of the financial assets of the Company other than an allowance for doubtful accounts provision more fully described in the "Credit Risk and Economic Dependence" section in Note 14 to the Company's audited financial statements for the year ended December 31, 2009.

Credit Risk and Economic Dependence

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of accounts receivable. Accounts receivable credit exposure is minimized by entering into transactions with creditworthy counterparties, requiring deposits for incinerator sales, requiring progress payments or letters of credit in respect of international sales and monitoring the age and balances outstanding on an ongoing basis. Most of the Company's credit exposures are with counterparties in the energy industry and are subject to normal industry credit risk. Payment terms with customers are 30 days from invoice date however industry practice can extend these terms.

Revenue from the top ten customers represented 92 percent of the Company's total revenue in the three months ended June 30, 2010 (2009 – 95 percent) and 85 percent of the Company's total revenue in the six months ended June 30, 2010 (2009 - 86 percent). Revenue from one customer represented 22 percent of the Company's total revenue in second quarter 2010 (2009 - 57 percent) and 16 percent of the Company's total revenue for the first half of 2010 (2009 – 29 percent).

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

As at	June 30 2010	December 31 2009
Current	\$ 374,050	\$ 369,642
31 – 60 days	397,113	246,463
61 – 90 days	28,490	130
Greater than 90 days	144,964	224,779
Billed receivables	944,617	841,014
Allowance for doubtful accounts	(71,004)	(71,004)
Billed receivables, net	873,613	770,010
Unbilled receivables	94,967	94,250
Total accounts receivable, net	\$ 968,580	\$ 864,260

Five customers represented 65 percent of the Company's total net accounts receivable at June 30, 2010 (December 31, 2009 – Three customers represented 60 percent).

Four customers comprise the accounts receivable amounts past due for greater than 90 days which remain after application of the allowance for doubtful accounts at June 30, 2010 (December 31, 2009 - Two customers).

The credit risk relating to cash balances is limited because the counterparty is a large commercial bank in Canada.

Interest Rate Risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The Company draws on its revolving demand operating loan facility to fund its operations with floating rate debt which exposes Questor to changes in interest payments due to fluctuations in interest rates as described in Note 7 to the Company's audited financial statements for the year ended December 31, 2009.

The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations.

Foreign Exchange Risk

Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains cash balances and enters into transactions denominated in foreign currencies, principally in United States dollars, which exposes Questor to fluctuating balances and cash flows due to variations in foreign exchange rates.

At June 30, 2010, the Canadian equivalent carrying amounts of the Company's foreign currency denominated monetary assets was \$2,008,120 (December 31, 2009 – \$1,788,542) and of the foreign currency denominated monetary liabilities was \$980 (December 31, 2009 – \$nil).

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on cash deposits, funds generated from operations, deposits received from customers in respect of a sale and credit facilities to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to finance the development of new clean air technologies or acquisitions.

At June 30, 2010, the Company has the following contractual maturities with respect to non-derivative financial liabilities:

	Maturity		June 30 2010
Accounts payable and accrued liabilities	Within 1 year	\$	613,712
Income and other taxes payable	Within 1 year		21,822
Long-term debt – current and non-current	September 2010		5,077
		\$	640,611

10. RELATED PARTY TRANSACTIONS

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

There were no amounts owing from or to related parties included in accounts receivable and accounts payable and accrued liabilities at June 30, 2010 or December 31, 2009.

11. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in the following non-cash working capital items increased (decreased) cash flows related to operating activities as follows:

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Accounts receivable	\$ (313,622)	\$ 8,930	\$ (104,320)	\$ 183,460
Income and other taxes receivable	(21,330)	(29,973)	15,759	(23,747)
Inventory	(489,317)	59,949	(603,563)	(15,882)
Prepaid expenses and deposits	(63,400)	13,901	(36,561)	38,480
Deferred expenses	-	14,345	2,356	(1,885)
Accounts payable and accrued liabilities	236,849	(247,813)	265,562	(269,889)
Income and other taxes payable	5,983	342	2,788	(277,449)
Deferred revenue and deposits	178,375	3,164	286,977	72,021
	(466,462)	(177,155)	(171,002)	(294,891)
Capital costs included in accounts payable and accrued liabilities	(842)	22,268	(1,117)	(1,491)
Unrealized foreign exchange gain included in non-cash working capital	2,904	3,991	581	5,428
	\$ (464,400)	\$ (150,896)	\$ (171,538)	\$ (290,954)

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

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Interest paid	\$ 504	\$ 504	\$ 1,008	\$ 1,008
Income taxes paid	\$ -	\$ -	\$ -	\$ 301,729

12. SEGMENTED INFORMATION

The Company reports its financial results as one reportable segment.

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

Total Revenue

For the	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Canada	\$ 685,489	\$ 534,032	\$ 1,174,658	\$ 1,689,752
United States	262,136	694,552	262,595	702,028
Trinidad	215,232	-	215,232	-
Other	(1,655)	-	(1,655)	-
	\$ 1,161,202	\$ 1,228,584	\$ 1,650,830	\$ 2,391,780

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

13. COMPARATIVE FIGURES

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