NOTICE 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 financial statements for the three and six month periods ended June 30, 2011 and June 30, 2010.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Stated in Canadian dollars except per share data

(unaudited)

		For the three months ended June 30		For the six months ended June 30	
	Notes	**2011**	2010	**2011**	2010
Revenue	4	**$ 819,481**	$ 1,160,570	**$ 1,717,357**	$ 1,648,687
Cost of sales		**(580,923)**	(694,399)	**(1,181,187)**	(1,032,107)
Gross profit		**238,558**	466,171	**536,170**	616,580
Administration expenses		**(404,849)**	(314,079)	**(789,118)**	(611,403)
Net foreign exchange gains (losses)		**(40,745)**	98,224	**(79,032)**	50,929
Research and development costs		**(10,729)**	(3,517)	**(31,697)**	(20,215)
Depreciation of property and equipment	9	**(8,148)**	(3,400)	**(11,036)**	(6,321)
Amortization of intangible assets	10	**(304)**	(305)	**(609)**	(4,315)
Net gain on disposal of property and equipment	9	**203,152**	-	**201,539**	-
Finance costs		**-**	(504)	**-**	(1,008)
Other revenue	4	**274,644**	632	**278,361**	2,144
Profit before tax		**251,579**	243,222	**104,578**	26,391
Income tax expense		**(42,577)**	(71,386)	**(15,117)**	(18,003)
Profit and comprehensive income		**$ 209,002**	$ 171,836	**$ 89,461**	$ 8,388
Earnings per share	14				
Basic		**$ 0.008**	$ 0.007	**$ 0.004**	$ 0.000
Diluted		**$ 0.008**	$ 0.007	**$ 0.004**	$ 0.000

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
Stated in Canadian dollars
(unaudited)

As at	Notes		**June 30 2011**		December 31 2010
ASSETS					
Current assets					
Cash and cash equivalents	7	**$**	**3,353,671**	$	3,995,669
Trade and other receivables	17		**1,683,356**		1,873,636
Current tax assets			**140,428**		362
Inventories	8		**528,729**		313,567
Prepaid expenses and deposits			**53,577**		107,467
Total current assets			**5,759,761**		6,290,701
Non-current assets					
Property and equipment	9		**1,802,499**		1,037,565
Intangible assets	10		**10,150**		10,759
Deferred tax assets			**47,820**		49,695
Total non-current assets			**1,860,469**		1,098,019
Total assets		**$**	**7,620,230**	$	7,388,720
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables, accrued liabilities and provisions		**$**	**1,279,620**	$	852,821
Current tax liabilities			**11,777**		230,746
Deferred revenue and deposits			**24,001**		146,485
Total current liabilities			**1,315,398**		1,230,052
Non-current liabilities					
Deferred tax liabilities			**117,382**		108,287
Other non-current liabilities			**15,678**		-
Total non-current liabilities			**133,060**		108,287
Total liabilities			**1,448,458**		1,338,339
Capital and reserves					
Issued capital	11		**5,404,966**		5,404,966
Reserves	13		**625,874**		593,944
Retained earnings			**140,932**		51,471
Total equity			**6,171,772**		6,050,381
Total liabilities and equity		**$**	**7,620,230**	$	7,388,720

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF CHANGES IN EQUITY

Stated in Canadian dollars

(unaudited)

	Issued capital	Reserves	Retained earnings (deficit)	Total equity
Balance at January 1, 2010	$ 5,265,736	$ 573,349	$ (393,589)	$ 5,445,496
Profit	-	-	8,388	8,388
Recognition of share-based payments	-	54,035	-	54,035
Issue of ordinary shares under employee share option plan	34,808	(17,308)	-	17,500
Balance at June 30, 2010	5,300,544	610,076	(385,201)	5,525,419
Profit	-	-	436,672	436,672
Recognition of share-based payments	-	35,790	-	35,790
Issue of ordinary shares under employee share option plan	104,422	(51,922)	-	52,500
Balance at December 31, 2010	5,404,966	593,944	51,471	6,050,381
Profit	-	-	89,461	89,461
Recognition of share-based payments	-	31,930	-	31,930
Issue of ordinary shares under employee share option plan	-	-	-	-
Balance at June 30, 2011	**$ 5,404,966**	**$ 625,874**	**$ 140,932**	**$ 6,171,772**

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF CASH FLOWS
Stated in Canadian dollars
(unaudited)

For the six months ended June 30	Notes	**2011**	2010
Cash flows from operating activities			
Profit for the period		**$ 89,461**	$ 8,388
Adjustments for:			
Income tax expense recognized in profit		**10,970**	7,465
Finance costs recognized in profit		**-**	1,008
Net gain on disposal of property and equipment	9	**(201,539)**	-
Depreciation of property and equipment	9	**97,748**	94,376
Amortization of intangible assets	10	**609**	4,314
Net foreign exchange gain		**(105,845)**	(131,681)
Expense recognized in respect of equity-settled share-based payments	12	**31,930**	54,035
Office lease incentive		**15,678**	-
Write-downs of inventories to net realizable value	8	**1,031**	1,943
		(59,957)	39,848
Movements in working capital	18	**176,961**	(172,365)
Cash generated from (used in) operations		**117,004**	(132,517)
Income taxes paid		**(215,000)**	-
Net cash used in operating activities		**(97,996)**	(132,517)
Cash flows from investing activities			
Movements in working capital	18	**(615,523)**	(1,117)
Payments for property and equipment		**(435,539)**	(28,360)
Proceeds from disposal of property and equipment	9	**389,918**	-
Net cash used in investing activities		**(661,144)**	(29,477)
Cash flows from financing activities			
Repayment of borrowings		**-**	(10,155)
Proceeds from issue of ordinary shares under employee share option plan		**-**	17,500
Interest paid		**-**	(1,008)
Net cash generated from financing activities		**-**	6,337
Net decrease in cash and cash equivalents		**(759,140)**	(155,657)
Cash and cash equivalents at beginning of period		**3,995,669**	3,080,997
Effects of exchange rate changes on the balance of cash held in foreign currencies		**117,142**	131,100
Cash and cash equivalents at end of period		**$ 3,353,671**	$ 3,056,440

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

Stated in Canadian dollars except share data or where otherwise specified

(unaudited)

1. GENERAL INFORMATION

Questor Technology Inc. ("Questor" or the "Company") is incorporated in Canada under the Business Corporations Act (*Alberta*) and its common shares are traded on the TSX Venture Exchange under the symbol "QST". The address of the Company's corporate and registered office is 1121, 940 – 6th Avenue S.W., Calgary, Alberta, Canada, T2P 3T1. The Company also has 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. BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has reported on this basis in the unaudited condensed financial statements for the three and six month periods ended June 30, 2011. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These unaudited condensed financial statements for the three and six month periods ended June 30, 2011 and 2010 have been prepared in accordance with IFRS applicable to the preparation of condensed financial statements, including International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The accounting policies applied in these unaudited condensed financial statements are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to adopt in its December 31, 2011 financial statements and are consistent with the accounting policies in note 3 to the Company's first condensed financial statements for the three months ended March 31, 2011 and 2010. These policies have been applied retrospectively and consistently to all periods presented subject to certain transition elections. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in a restatement of these condensed financial statements, including the transition adjustments recognized on the initial adoption of IFRS.

In the application of the Company's accounting policies, the Company is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the periods presented. The critical judgements in applying accounting policy and other key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities are described in note 4 of the Company's first condensed financial statements for the three months ended March 31, 2011 and 2010.

These unaudited condensed financial statements do not include all of the information required for full annual financial statements. Consequently, these condensed financial statements should be read in conjunction with the Company's first condensed financial statements and the notes thereto prepared in accordance with IAS 34 and IFRS 1 for the three months ended March 31, 2011 and March 31, 2010 and the Company's audited financial statements for the year ended December 31, 2010 prepared in accordance with Canadian GAAP.

Note 22 of the Company's first condensed financial statements discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's Canadian GAAP financial statements for the year ended December 31, 2010. Note 20 of these unaudited condensed financial statements discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows from those used in the Company's Canadian GAAP interim financial statements for the three and six month periods ended June 30, 2010.

These unaudited condensed financial statements have been prepared on the historical cost basis and are presented in Canadian dollars which is the Company's functional currency.

The unaudited condensed financial statements for the three and six month periods ended June 30, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on August 24, 2011.

3. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB and the IFRIC have issued a number of new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2012 or later.

The Company is currently reviewing the standards to determine the potential impact, if any on its financial statements. The Company has determined that the following standards may have an impact on the Company although the impact upon adoption is not anticipated to be material:

- IAS 1 (Amended) *Presentation of Financial Statements*. In June 2011, the IASB issued amendments to IAS 1 requiring items within other comprehensive income that may be reclassified to the profit or loss section of the income statement to be grouped together. The amendments are to be applied retrospectively and are effective for annual periods commencing on or after July 1, 2012, with earlier application permitted.
- IFRS 7 (Revised) *Disclosures -Transfers of Financial Assets.* The revised standard introduces new disclosure requirements associated with the transfer and securitization of financial assets and is effective for annual periods beginning on or after July 1, 2011.
- IFRS 9 *Financial Instruments.* The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value through profit and loss. The standard is effective for annual reporting periods beginning on or after January 1, 2013, with earlier adoption permitted.
- IFRS 13 *Fair Value Measurement*. The new standard establishes a single framework for measuring fair value estimates as required in other standards by defining fair value, providing guidance on its determination and establishing consistent disclosures required for fair value estimates. The standard is effective for annual reporting periods beginning on or after January 1, 2013, with earlier adoption permitted.

The following standards and interpretations are effective beginning January 1, 2013 but are currently not anticipated to be relevant for the Company:

- IAS 19 (Amended) *Employee Benefits;*
- IAS 27 (Amended) *Separate Financial Statements;*
- IAS 28 (Revised) *Investments in Associates and Joint Ventures;*
- IFRS 10 *Consolidated Financial Statements*;
- IFRS 11 *Joint Arrangements*; and
- IFRS 12 *Disclosure of Interests in Other Entities*.

4. REVENUE

The following is an analysis of the Company's revenue:

For the	Three months ended June 30 **2011**	2010	Six months ended June 30 **2011**	2010
Sale of goods	**$ 397,419**	$ 681,901	**$ 926,193**	$ 839,627
Rendering of services				
Incinerator rental income	**227,505**	234,325	**389,855**	455,625
Incinerator and combustion services	**194,557**	244,344	**401,309**	353,435
	819,481	1,160,570	**1,717,357**	1,648,687
Net gain on disposal of property and equipment	**203,152**	-	**201,539**	-
Other revenue				
Order cancellation fee	**263,408**	-	**263,408**	-
WCB Alberta 2010 special dividend	**3,324**	-	**3,324**	-
Government assistance	**3,253**	-	**3,253**	-
Interest income	**1,998**	-	**1,998**	21
Aggregate of immaterial items	**2,661**	632	**6,378**	2,123
	$ 1,297,277	$ 1,161,202	**$ 2,197,257**	$ 1,650,831

5. GOVERNMENT ASSISTANCE

In second quarter 2011, the Company recorded government assistance of $3,253 to reflect the Canadian National Research Council's Industrial Research Assistance program funding for the Company's participation in a mission to Yamal, Russia. The purpose of the mission was to identify solutions to eliminate gas flaring in the region.

6. SEGMENTED INFORMATION

The Company reports its financial results as one reportable segment.

The following table provides information regarding revenue on a geographic basis as determined by the location of the customer or third party.

Revenue

For the	Three months ended June 30 **2011**	2010	Six months ended June 30 **2011**	2010
Canada	**$ 217,713**	$ 685,489	**$ 689,899**	$ 1,174,659
United States	**1,047,343**	262,136	**1,390,739**	262,595
Germany	**32,221**	-	**32,221**	-
Indonesia	**-**	-	**82,048**	-
Trinidad	**-**	215,232	**-**	215,232
Other	**-**	(1,655)	**2,350**	(1,655)
	$ 1,297,277	$ 1,161,202	**$ 2,197,257**	$ 1,650,831

The following table provides information regarding the location of the Company's property and equipment on a geographic basis as determined by the location of the customer or third party.

Property and equipment

As at	**June 30 2011**	December 31 2010
Canada	**$ 1,431,107**	$ 1,037,565
United States	**223,752**	-
Germany	**147,640**	-
	$ 1,802,499	$ 1,037,565

All other of the Company's non-current assets are located in Canada.

7. CASH AND CASH EQUIVALENTS

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

As at	**June 30 2011**	December 31 2010
United States dollars	**$ 267,398**	$ 1,691,204
Euros	**395**	376
Other non-Canadian currencies	**137**	197
	267,930	1,691,777
Canadian dollars	**1,584,054**	2,303,892
Term deposit plus accreted interest at 1.18 percent	**1,501,687**	-
	$ 3,353,671	$ 3,995,669

The Company's exposure to interest rate risk and sensitivity analysis for financial assets is discussed in note 17.

8. INVENTORIES

As at	**June 30 2011**	December 31 2010
Materials and supplies	**$ 82,239**	$ 62,859
Work in progress	**270,116**	173,365
Finished goods	**176,374**	77,343
	$ 528,729	$ 313,567

The cost of inventories recognized in profit and included in cost of sales during the three and six month periods ended June 30, 2011 was $218,292 (2010 - $396,521) and $508,025 (2010 - $487,479), respectively. Included in the cost of inventories recognized in profit in the three and six month periods ended June 30, 2011 were materials and supplies written down from cost to net realizable value in the amount of $962 (2010 - $1,904) and $1,031 (2010 - $1,943), respectively. There were no reversals of any write-downs in the current or comparative periods.

9. PROPERTY AND EQUIPMENT

	Rental incinerators	Detachable trailers for rental incinerators	Vehicles and trailers	Tools and equipment	Leasehold improve-ments	Office furniture and equipment	Computer hardware and software	Capital projects in progress	Total
Cost									
Balance at January 1, 2010	$ 1,526,637	$ 175,500	$ 254,648	$ 42,073	$ -	$ 58,054	$ 64,253	$ -	$ 2,121,165
Additions	20,568	-	-	5,881	-	190	9,800	-	36,439
Dispositions:									
To third parties	-	-	-	-	-	-	-	-	-
Derecognition	(28,303)	-	-	-	-	-	-	-	(28,303)
Balance at December 31, 2010	1,518,902	175,500	254,648	47,954	-	58,244	74,053	-	2,129,301
Additions	172,686	-	-	-	176,867	15,989	4,970	588,273	958,785
Dispositions:									
To third parties	(151,065)	-	(41,889)	-	-	-	-	-	(192,954)
Derecognition	(100,705)	-	-	-	-	-	-	-	(100,705)
Balance at June 30, 2011	1,439,818	175,500	212,759	47,954	176,867	74,233	79,023	588,273	2,794,427
Accumulated depreciation									
Balance at January 1, 2010	615,856	79,233	145,797	14,209	-	39,671	37,585	-	932,351
Depreciation charges included in:									
Cost of sales	124,489	17,550	28,519	5,489	-	-	-	-	176,047
Depreciation expense	-	-	-	-	-	3,368	8,273	-	11,641
Depreciation of disposals:									
To third parties	-	-	-	-	-	-	-	-	-
Derecognition	(28,303)	-	-	-	-	-	-	-	(28,303)
Balance at December 31, 2010	712,042	96,783	174,316	19,698	-	43,039	45,858	-	1,091,736
Depreciation charges included in:									
Cost of sales	64,272	8,775	10,955	2,710	-	-	-	-	86,712
Depreciation expense	-	-	-	-	4,912	1,758	4,366	-	11,036
Depreciation of disposals:									
To third parties	(76,620)	-	(37,076)	-	-	-	-	-	(113,696)
Derecognition	(83,860)	-	-	-	-	-	-	-	(83,860)
Balance at June 30, 2011	615,834	105,558	148,195	22,408	4,912	44,797	50,224	-	991,928
Carrying amounts									
At January 1, 2010	$ 910,781	$ 96,267	$ 108,851	$ 27,864	$ -	$ 18,383	$ 26,668	$ -	$ 1,188,814
At December 31, 2010	$ 806,860	$ 78,717	$ 80,332	$ 28,256	$ -	$ 15,205	$ 28,195	$ -	$ 1,037,565
At June 30, 2011	$ 823,984	$ 69,942	$ 64,564	$ 25,546	$ 171,955	$ 29,436	$ 28,799	$ 588,273	$ 1,802,499

In first quarter 2011, the Company disposed of a service vehicle with a net book value of $4,813 for proceeds of $3,200, resulting in a net loss on disposition of $1,613.

In second quarter 2011, the Company sold incinerator equipment from its rental fleet with a net book value of $74,445 for gross proceeds of $386,718, resulting in a net gain on sale of $219,997 after deducting refurbishment and customization costs of $92,276. The Company also overhauled and modified certain of the equipment in the rental fleet resulting in derecognition of $16,845, an amount equivalent to the undepreciated capital balance.

The net gains and losses of the preceding dispositions are recognized in profit and included in net gain on disposal of property and equipment.

The Company did not dispose of any property and equipment during 2010 and all derecognized capital was fully depreciated.

10. INTANGIBLE ASSETS

	Development costs	Patents	Total
Cost			
Balance at January 1, 2010	$ 277,796	$ 15,225	$ 293,021
Additions	-	-	-
Disposals	-	-	-
Balance at December 31, 2010	277,796	15,225	293,021
Additions	-	-	-
Disposals	-	-	-
Balance at June 30, 2011	277,796	15,225	293,021
Accumulated amortization			
Balance at January 1, 2010	274,091	3,248	277,339
Amortization expense	3,705	1,218	4,923
Balance at December 31, 2010	277,796	4,466	282,262
Amortization expense	-	609	609
Balance at June 30, 2011	277,796	5,075	282,871
Carrying amounts			
At January 1, 2010	$ 3,705	$ 11,977	$ 15,682
At December 31, 2010	$ -	$ 10,759	$ 10,759
At June 30, 2011	$ -	$ 10,150	$ 10,150

11. 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, January 1, 2010	24,007,370	$ 5,265,736
Issue of ordinary shares under employee share option plan	175,000	34,808
Shares issued and outstanding, June 30, 2010	24,182,370	5,300,544
Issue of ordinary shares under employee share option plan	525,000	104,422
Shares issued and outstanding, December 31, 2010 and June 30, 2011	**24,707,370**	**$ 5,404,966**

Share options granted under the Company's employee 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. 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.

At June 30, 2011, directors, officers, key employees and consultants held options over 1,600,000 ordinary shares of the Company of which 150,000 will expire on September 29, 2011. At June 30, 2010, directors, officers, key employees and consultants held options over 2,300,000 ordinary shares of the Company of which 700,000 were scheduled to expire on November 21, 2010 and which were exercised on various dates during 2010 as detailed in note 12.

Share-based payments for the three and six month periods ended June 30, 2011 was $15,655 (2010 - $27,727) and $31,930 (2010 - $54,035), respectively. Of these amounts, $2,140 (2010 - $6,034) and $4,366 (2010 - $11,346), respectively, were included in cost of sales and the balance in administration expenses.

Further details of the employee share option plan are provided in note 12.

12. SHARE-BASED PAYMENTS

The Board of Directors has adopted and approved a share option plan for the directors, officers, consultants and key employees of the Company 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 June 3, 2005.

Each employee share option converts into one ordinary 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.

The Board grants share options from time to time based on its assessment of the appropriateness of doing so in light of the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract particular key personnel, the number of share options already outstanding and overall market conditions.

The following share-based payment arrangements were in existence at June 30, 2011 and in the prior year:

At June 30, 2011:

Number outstanding	Grant date	Expiry date	Remaining contractual life(1)		Exercise price(2)		Fair value at grant date	Number exercisable
150,000	29-Sep-06	29-Sep-11	0.25	$	0.1800	$	0.1792	150,000
575,000	28-Aug-07	28-Aug-12	1.16		0.6700		0.6592	450,000
75,000	14-Apr-08	14-Apr-13	1.79		0.4300		0.3246	56,250
300,000	01-May-09	01-May-14	2.84		0.2500		0.1868	150,000
200,000	26-Apr-10	26-Apr-15	3.82		0.2700		0.1905	50,000
100,000	15-Oct-10	15-Oct-15	4.29		0.2350		0.1644	-
200,000	26-Apr-11	26-Apr-16	4.82		0.2250		0.1585	-
1,600,000			2.41	**$**	**0.4013**			**856,250**

(1) *Weighted average number of years.*
(2) *Weighted average.*

At December 31, 2010:

Number outstanding	Grant date	Expiry date	Remaining contractual life(1)		Exercise price(2)		Fair value at grant date	Number exercisable
150,000	29-Sep-06	29-Sep-11	0.74	$	0.1800	$	0.1792	150,000
600,000	28-Aug-07	28-Aug-12	1.66		0.6700		0.6592	450,000
75,000	14-Apr-08	14-Apr-13	2.29		0.4300		0.3246	37,500
300,000	01-May-09	01-May-14	3.33		0.2500		0.1868	75,000
200,000	26-Apr-10	26-Apr-15	4.32		0.2700		0.1905	-
100,000	15-Oct-10	15-Oct-15	4.79		0.2350		0.1644	-
1,425,000			2.54	$	0.4307			712,500

(1) *Weighted average number of years.*
(2) *Weighted average.*

At June 30, 2010:

Number outstanding	Grant date	Expiry date	Remaining contractual life(1)		Exercise price(2)		Fair value at grant date	Number exercisable
525,000	21-Nov-05	21-Nov-10	0.39	$	0.1000	$	0.0989	525,000
300,000	29-Sep-06	29-Sep-11	1.25		0.1800		0.1792	225,000
700,000	28-Aug-07	28-Aug-12	2.16		0.6700		0.6592	350,000
75,000	14-Apr-08	14-Apr-13	2.79		0.4300		0.3246	37,500
400,000	01-May-09	01-May-14	3.84		0.2500		0.1868	100,000
300,000	26-Apr-10	26-Apr-15	4.82		0.2700		0.1905	-
2,300,000			2.30	$	0.3429			1,237,500

(1) *Weighted average number of years.*
(2) *Weighted average.*

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. Prior to 2008, expected volatility was based on the historical share price volatility over the preceding 5 years. This approach led to excessive volatilities when compared to industry peers and companies with a similar market capitalization. Consequently, beginning in 2008, the Board of Directors has determined the expected volatility with reference to both the historical volatility of the Company's shares and comparative indicators.

Inputs to the model	Grant Date							
	21-Nov-05	29-Sep-06	28-Aug-07	14-Apr-08	01-May-09	26-Apr-10	15-Oct-10	26-Apr-11
Grant date share price[1]	0.1000	0.2500	0.6400	0.4450	0.3100	0.2800	0.2800	0.2250
Exercise price ($)	0.1000	0.1800	0.6700	0.4300	0.2500	0.2700	0.2350	0.2250
Expected volatility (%)	191.56	250.00	200.00	100.00	100.00	90.00	90.00	90.00
Expected life (years)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Risk-free interest rate (%)	4.00	4.25	4.20	2.88	1.63	2.59	1.79	2.38
Forfeiture rate (%)[2]	0.00	9.40	9.40	9.40	9.40	9.40	9.40	9.40

(1) *The closing market price of the common shares on the TSX Venture Exchange on the date of grant or the first trading day immediately following the date of grant if no common shares traded on the grant date.*

(2) *Under Canadian GAAP, forfeitures of share options were recognized as they occurred. Under IFRS, a forfeiture rate is estimated for the number of options expected to vest. Consequently, the Company has adjusted its share-based payments to reflect a forfeiture rate estimate.*

The share options outstanding and exercisable at the beginning and end of the relevant period are as follows:

	Options outstanding					
	Six months ended June 30, 2011		Year ended December 31, 2010		Six months ended June 30, 2010	
	Number	**Exercise price[1]**	Number	Exercise price[1]	Number	Exercise price[1]
Balance at beginning of period	**1,425,000**	**$ 0.431**	2,175,000	$ 0.333	2,175,000	$ 0.333
Granted	**200,000**	**0.225**	400,000	0.261	300,000	0.270
Forfeited	**(25,000)**	**0.670**	(450,000)	0.324	-	-
Exercised	**-**	**-**	(700,000)	0.100	(175,000)	0.100
Expired	**-**	**-**	-	-	-	-
Balance at end of period	**1,600,000**	**$ 0.401**	1,425,000	$ 0.431	2,300,000	$ 0.343
Exercisable at end of period	**856,250**	**$ 0.472**	712,500	$ 0.510	1,237,500	$ 0.307

(1) *Weighted average.*

No share options were exercised in the six-month period ended June 30, 2011 or subsequent.

In 2010, the following share options were exercised during the year:

Option series	Number exercised	Exercise date	Exercise price		Share price at exercise date[(1)]	
Granted on November 21, 2005	75,000	30-Apr-10	$	0.10	$	0.29
Granted on November 21, 2005	100,000	21-Jun-10		0.10		0.27
Granted on November 21, 2005	100,000	30-Aug-10		0.10		0.26
Granted on November 21, 2005	250,000	01-Sep-10		0.10		0.25
Granted on November 21, 2005	100,000	01-Sep-10		0.10		0.25
Granted on November 21, 2005	75,000	27-Oct-10		0.10		0.24
	700,000		**$**	**0.10**	**$**	**0.26**

(1) *The closing market price of the common shares on the TSX Venture Exchange on the date of exercise or the first trading day immediately following the date of exercise if no common shares traded on the date of exercise.*

13. RESERVES

For the		**Six months ended June 30 2011**		Year ended December 31 2010
Reserves at beginning of period	**$**	**593,944**	$	573,349
Recognition of share-based payments during the period		**31,930**		89,825
Issue of ordinary shares under employee share option plan during the period		**-**		(69,230)
Reserves at end of period	**$**	**625,874**	$	593,944

14. EARNINGS PER SHARE

Basic earnings per share

	Three months ended June 30				Six months ended June 30			
For the		**2011**		2010		**2011**		2010
Profit for the period attributable to ordinary equity holders	**$**	**209,002**	$	171,836	**$**	**89,461**	$	8,388
Weighted average number of ordinary shares for the purposes of basic earnings per share		**24,707,370**		24,069,457		**24,707,370**		24,038,585
Basic earnings per share	**$**	**0.008**	$	0.007	**$**	**0.004**	$	0.000

Diluted earnings per share

For the	Three months ended June 30 **2011**	2010	Six months ended June 30 **2011**	2010
Profit for the period attributable to ordinary equity holders	**$ 209,002**	$ 171,836	**$ 89,461**	$ 8,388
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**24,844,360**	24,606,500	**24,856,292**	24,089,744
Diluted earnings per share	**$ 0.008**	$ 0.007	**$ 0.004**	$ 0.000

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:

For the	Three months ended June 30 **2011**	2010	Six months ended June 30 **2011**	2010
Weighted average number of ordinary shares for the purposes of basic earnings per share	**24,707,370**	24,069,457	**24,707,370**	24,038,585
Shares deemed to be issued for no consideration in respect of employee options	**136,990**	537,043	**148,922**	1,148,940
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**24,844,360**	24,606,500	**24,856,292**	25,187,525

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share for the three and six month periods ended June 30, 2011 and June 30, 2010.

Option series	**At June 30 2011** Number to be exercised	At June 30 2010 Number to be exercised	Exercise price
Granted on August 28, 2007	**575,000**	700,000	$ 0.67
Granted on April 14, 2008	**75,000**	75,000	$ 0.43

In addition to the above, the following potential ordinary shares are also anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share for the six-month period ended June 30, 2011.

Option series	Number to be exercised	Exercise price
Granted on April 26, 2010	200,000	$ 0.27

15. 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, 2010. At June 30, 2011, Questor was in compliance with these covenants.

The Company's capital structure consists of equity, short-term and long-term borrowings, cash and cash equivalents. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing debt, raise new debt and issue common shares. It is expected, however, that Questor's funds generated from operations and cash amounts will provide sufficient capital resources and liquidity to fund existing operations in 2011 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 and cash equivalent balances. Equity is defined as capital and reserves attributable to equity holders. Total capitalization is defined as the sum of debt unadjusted for cash and cash equivalent balances and the book value of equity. Questor's target is to have debt-to-total capitalization of no greater than 35 percent.

The debt-to-total capitalization ratio at the end of each reporting period was as follows:

As at	**June 30 2011**	December 31 2010
Short-term borrowings	**$ -**	$ -
Long-term borrowings	**-**	-
Debt	**-**	-
Equity	**6,171,772**	6,050,381
Total capitalization	**6,171,772**	6,050,381
Debt-to-total capitalization ratio (%)	**$ 0.0**	$ 0.0

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist, from time to time, of cash and cash equivalents, 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 financial liabilities recognized in the Company's financial statements at the end of each reporting period approximate their fair value due to their short period to maturity. The carrying value of short-term borrowings 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, 2010. The carrying value of long-term borrowings also approximates fair value as the fair value of long-term borrowings is estimated using discounted cash flows based on current rates of interest. At June 30, 2011 and December 31 2010, there were no short-term or long-term borrowings outstanding. The Company did not hold or issue any derivative financial instruments during 2010 or in the six months ended June 30, 2011.

Financial assets, other than those at 'fair value through profit or loss', are assessed for indicators of impairment at the end of each reporting period. At June 30, 2011 and at December 31, 2010, there was no impairment required on any of the financial assets of the Company.

The Company is exposed to market risk and potential loss from changes in the value of financial instruments. These risks are described in note 17.

17. FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk, liquidity risk, and market price risk (interest rate and foreign currency) as a result of holding financial instruments.

Credit risk

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. The credit risk relating to cash and cash equivalent balances is limited because the counterparty is a large commercial bank in Canada. Financial instruments that subject the Company to credit risk consist primarily of trade receivables. The amounts reported for trade receivables in the balance sheet are net of allowances for doubtful accounts and bad debts and the net carrying value represents the Company's maximum exposure to credit risk.

Trade receivables 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 represents 92 percent of the Company's revenue in the three months ended June 30, 2011 (2010 - 92 percent) and 82 percent of the Company's revenue in the six months ended June 30, 2011 (2010 - 85 percent). Revenue from the largest customer represented 27 percent of the Company's revenue in second quarter 2011 (2010 - 22 percent) and 25 percent of the Company's revenue for the first half of 2011 (2010 - 16 percent).

The following table sets forth details of the aging profile of trade and other receivables and the allowance for doubtful accounts:

As at	**June 30 2011**	December 31 2010
Current and past due for less than 30 days	**$ 1,106,096**	$ 1,640,135
Past due for 31 – 60 days	**77,992**	47,863
Past due for 61 – 90 days	**2,656**	398
Past due for greater than 90 days	**24,100**	5,503
Billed receivables, net	**1,210,844**	1,693,899
Allowance for doubtful accounts	**-**	-
Billed receivables, net	**1,210,844**	1,693,899
Unbilled receivables	**472,512**	179,737
Total trade and other receivables, net	**$ 1,683,356**	$ 1,873,636

Six customers represent 70 percent of the Company's total net trade and other receivables at June 30, 2011 (December 31, 2010 – Three customers represented 69 percent).

Six customers comprise the trade and other receivables amounts past due for greater than 90 days at June 30, 2011 (December 31, 2010 - Three customers).

None of the trade and other receivables of the Company are considered by management to be doubtful at June 30, 2011 and consequently no impairment is recorded. The movement in the allowance for doubtful accounts is reconciled as follows:

For the		**Six months ended June 30 2011**		Year ended December 31 2010		Three months ended June 30 2010
Allowance for doubtful accounts at beginning of period	**$**	**-**	$	71,004	$	71,004
Provision for impairment of trade receivables		-				-
Receivables written off (uncollectible)		-		(71,004)		-
Reversal of provision for impairment		-		-		-
Allowance for doubtful accounts at end of period	**$**	**-**	$	-	$	71,004

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, 2011 and December 31, 2010, the Company had the following contractual maturities with respect to non-derivative financial liabilities:

For the	Maturity		**Six months ended June 30 2011**		Year ended December 31 2010
Trade payables, accrued liabilities and provisions	Within 1 year	**$**	**1,279,620**	$	852,821
Current tax liabilities	Within 1 year		**11,777**		230,746
		$	**1,291,397**	$	1,083,567

The Company has sufficient working capital to meet obligations as they come due.

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. From time to time, the Company may invest excess cash in banker's acceptances, term deposits and treasury bills issued by credit worthy banking institutions or draw on its revolving demand operating loan facility to fund its operations with floating rate borrowings as described in note 7 to the Company's audited financial statements for the year ended December 31, 2010. These activities expose Questor to changes in interest receipts and payments due to fluctuations in interest rates.

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 currency risk

Foreign 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, 2011, the Canadian equivalent carrying amounts of the Company's foreign currency denominated monetary assets was $1,069,362 (2010 – $2,008,120) and of the foreign currency denominated monetary liabilities was $3,942 (2010 - $980). Based on the net foreign currency assets as at June 30, 2011, and assuming that all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the Canadian dollar and the foreign currency dollar would impact profit (loss) before tax by approximately $53,271 (2010 - $100,357).

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 audited annual financial statements as and for the year ended December 31, 2010.

18. MOVEMENTS IN WORKING CAPITAL

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

For the six months ended June 30		**2011**		2010
Trade and other receivables	**$**	**190,280**	$	(104,320)
Current tax assets		**(140,066)**		15,756
Inventories		**(215,162)**		(603,563)
Prepaid expenses and deposits		**53,890**		(36,561)
Deferred expenses		**-**		2,356
Trade payables, accrued liabilities and provisions		**426,799**		265,565
Current tax liabilities		**(218,969)**		2,788
Deferred revenue and deposits		**(122,484)**		286,976
		(25,712)		(171,003)
Capital costs included in trade payables, accrued liabilities and provisions		**(615,523)**		(1,117)
Write-downs included in inventories		**(1,031)**		(1,943)
Net foreign exchange gains (losses) included in working capital		**(11,296)**		581
Income taxes paid in current tax liabilities		**215,000**		**-**
	$	**(438,562)**	**$**	**(173,482)**

19. 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.

For the	Three months ended June 30 2011		Three months ended June 30 2010		Six months ended June 30 2011		Six months ended June 30 2010	
Questor purchased vehicle repairs and maintenance services at market value from a corporation owned by a director of the Company [(1)]	**$**	**10,725**	$	-	**$**	**15,610**	$	-
Questor transacted with a corporation owned by a member of the key management personnel for the provision of consulting services to the Company at market value [(2)]		**38,782**		40,715		**76,232**		78,135
Questor transacted with a member of the key management personnel who supplied the Company with rental equipment at market value		**-**		1,430		**-**		2,535
	$	**49,507**	$	42,145	**$**	**91,842**	$	80,670
Amounts owing from related parties	**$**	**-**	$	-	**$**	**-**	$	-
Amounts owing to related parties [(1) (2)]	**$**	**4,249**	$	14,435	**$**	**4,249**	$	14,435

(1) *Before HST.*
(2) *Before GST.*

20. EXPLANATION OF TRANSITION TO IFRS

As disclosed in note 2, the Company's unaudited condensed financial statements for the three and six month periods ended June 30, 2011 have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of International Financial Reporting Standards*. In previous years, the Company prepared its consolidated financial statements in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's condensed statements of financial position, comprehensive income and cash flows for the three and six month periods ended June 30, 2010 is set out in the following tables and the notes that accompany the tables. In certain cases, the Company has changed the terms, descriptions and presentations used throughout the financial statements to conform to those generally used under IFRS.

Statement of Financial Position
As at June 30, 2010 (*stated in Canadian dollars)*:

As at	Notes	June 30 2010 Previous GAAP	Effect of transition to IFRS	**June 30 2010 IFRS**
ASSETS				
Current assets				
Cash		$ 3,056,440	$ -	**$ 3,056,440**
Trade and other receivables		968,580	-	**968,580**
Current tax assets		291,094	-	**291,094**
Inventories		1,036,708	-	**1,036,708**
Prepaid expenses and deposits		137,633	-	**137,633**
Future income tax assets	(d)	50,113	(50,113)	**-**
Total current assets		5,540,568	(50,113)	**5,490,455**
Non-current assets				
Property and equipment	(a)	1,377,761	(253,846)	**1,123,915**
Intangible assets		11,368	-	**11,368**
Deferred tax assets	(d)	-	104,018	**104,018**
Total non-current assets		1,389,129	(149,828)	**1,239,301**
Total assets		$ 6,929,697	$ (199,941)	**$ 6,729,756**
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables, accrued liabilities and provisions		$ 613,715	$ -	**$ 613,715**
Borrowings		5,077	-	**5,077**
Current tax liabilities		21,822	-	**21,822**
Deferred revenue and deposits		485,618	-	**485,618**
Future income tax liabilities	(d)	691	(691)	**-**
Total current liabilities		1,126,923	(691)	**1,126,232**
Non-current liabilities				
Deferred tax liabilities	(c),(d)	87,698	(9,592)	**78,106**
Total liabilities		1,214,621	(10,283)	**1,204,338**
Capital and reserves				
Issued capital		5,300,544	-	**5,300,544**
Reserves	(b)	510,179	99,897	**610,076**
(Deficit) retained earnings	(a),(b),(c)	(95,647)	(289,555)	**(385,202)**
Total equity		5,715,076	(189,658)	**5,525,418**
Total liabilities and equity		$ 6,929,697	$ (199,941)	**$ 6,729,756**

Statement of Comprehensive Income
For the three months ended June 30, 2010 (*stated in Canadian dollars except per share amounts):*

For the three months ended June 30	Notes	June 30 2010 Previous GAAP	Effect of transition to IFRS	**June 30 2010 IFRS**
Revenue		$ 1,160,570	$ -	**$ 1,160,570**
Cost of sales	(a),(b)	(684,758)	(9,641)	**(694,399)**
Gross profit		475,812	(9,641)	**466,171**
Administration expenses	(b),(e)	(328,903)	14,824	**(314,079)**
Net foreign exchange gains		98,224	-	**98,224**
Research and development costs	(e)	-	(3,517)	**(3,517)**
Depreciation of property and equipment		(3,400)	-	**(3,400)**
Amortization of intangible assets		(305)	-	**(305)**
Finance costs		(504)	-	**(504)**
Other revenue		632	-	**632**
Profit before tax		241,556	1,666	**243,222**
Income tax expense	(c)	(74,401)	3,015	**(71,386)**
Profit and comprehensive income		$ 167,155	$ 4,681	**$ 171,836**
Earnings per share - Basic		$ 0.007	$ 0.000	**$ 0.007**

Statement of Comprehensive Income
For the six months ended June 30, 2010 (*stated in Canadian dollars except per share amounts):*

For the three months ended June 30	Notes	June 30 2010 Previous GAAP	Effect of transition to IFRS	**June 30 2010 IFRS**
Revenue		$ 1,648,687	$ -	**$ 1,648,687**
Cost of sales	(a),(b)	(1,012,333)	(19,774)	**(1,032,107)**
Gross profit		636,354	(19,774)	**616,580**
Administration expenses	(b),(e)	(653,058)	41,655	**(611,403)**
Net foreign exchange gains		50,929	-	**50,929**
Research and development costs	(e)	-	(20,215)	**(20,215)**
Depreciation of property and equipment		(6,321)	-	**(6,321)**
Amortization of intangible assets		(4,315)	-	**(4,315)**
Finance costs		(1,008)	-	**(1,008)**
Other revenue		2,144	-	**2,144**
Profit before tax		24,725	1,666	**26,391**
Income tax expense	(c)	(22,590)	4,587	**(18,003)**
Profit and comprehensive income		$ 2,135	$ 6,253	**$ 8,388**
Earnings per share - Basic		$ 0.000	$ 0.000	**$ 0.000**

Reconciliation of changes in equity

As at June 30, 2010 (*stated in Canadian dollars)*

For the period ended	Notes	June 30 2010
Shareholders' equity under previous GAAP		$ 5,715,076
Effect of transition to IFRS:		
Property and equipment	(a)	(253,846)
Income taxes	(c)	64,189
Equity under IFRS		**$ 5,525,418**

Notes to the reconciliations between Canadian GAAP and IFRS

(a) Property and equipment

Under IAS 16 *Property, Plant and Equipment*, when a fixed asset consists of a number of individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately. As a result of this requirement, the Company has componentized its rental incinerator assets and the expected lives of individual assets and components were revised. The changes were applied retrospectively to the date of acquisition of each asset and/or component which resulted in higher accumulated depreciation under IFRS than was reported under previous Canadian GAAP. As a result of these changes, the Company's aggregate property and equipment will be depreciated at accelerated rates compared to those under previous Canadian GAAP.

The Company has adjusted its property and equipment carrying value to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position		January 1 2010		June 30 2010
Decrease in property and equipment	$	(229,710)	$	(253,846)
Increase in deficit	$	229,710	$	253,846

Statement of comprehensive income (loss)		Three months ended June 30 2010		Six months ended June 30 2010
Increase in cost of sales	$	12,057	$	24,136
Decrease in profit	$	12,057	$	24,136

(b) Share-based payments

The Company recognizes equity-settled share-based payments under both Canadian GAAP and IFRS. The timing and amount of the expense differs between IFRS and Canadian GAAP for the following reasons:

i) Under Canadian GAAP, each grant with staggered vesting dates was treated as one arrangement and the fair value at the date of the grant recognized on a straight line basis over the total vesting period. Under IFRS, each vesting tranche is treated as a separate grant with a separate vesting date and fair value.

ii) Under Canadian GAAP, forfeitures of share options were recognized as they occurred. Under IFRS, a forfeiture rate is estimated for the number of options expected to vest. The estimate is revised if subsequent information indicates that actual forfeitures differ from the original estimate.

The Company has adjusted its share-based payments to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position		January 1 2010		June 30 2010
Increase in reserves	$	(125,698)	$	(99,897)
Increase in deficit	$	125,698	$	99,897

Statement of comprehensive income (loss)		Three months ended June 30 2010		Six months ended June 30 2010
Decrease in cost of sales	$	(2,415)	$	(4,361)
Decrease in administration expenses	$	(11,307)	$	(21,440)
Increase in profit	$	(13,722)	$	(25,801)

(c) Income taxes

The carrying amounts used in determining the Company's deferred tax assets and liabilities are directly impacted by the IFRS transition adjustments noted above.

The Company has adjusted its deferred tax assets and liabilities to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position		January 1 2010		June 30 2010
Decrease in deferred tax liabilities	$	59,602	$	64,189
Decrease deficit	$	(59,602)	$	(64,189)

Statement of comprehensive income (loss)		Three months ended June 30 2010		Six months ended June 30 2010
Decrease in deferred income tax expense		(3,015)		(4,587)
Increase profit	$	(3,015)	$	(4,587)

(d) Presentation of income taxes

All deferred tax assets and deferred tax liabilities are presented as non-current on the statement of financial position under IFRS. Under previous Canadian GAAP, the approach was to allocate between current and non-current future income tax assets and liabilities based on the classification of the underlying assets and liabilities to which they related and/or the expected reversal of the temporary differences.

The Company has adjusted its deferred tax assets and liabilities to reflect these differences. The impact arising from these changes is summarized as follows:

Statement of financial position		January 1 2010		June 30 2010
Decrease in current future income tax assets	$	(50,113)	$	(50,113)
Increase in deferred tax assets		102,828		104,018
Decrease in current future income tax liabilities		2,281		691
Increase in deferred tax liabilities		(54,996)		(54,596)
Profit	$	-	$	-

(e) Presentation of statement of comprehensive income (loss)

IAS 1 requires that expenses on the statement of comprehensive income (loss) be presented either by nature or function. Under Canadian GAAP, the Company used a hybrid approach whereby the face of the statement of comprehensive income (loss) was presented by function; however, certain expenses (such as depreciation and amortization) were not allocated to a function. For the most part, the Company has retained this approach under IFRS with only a few reclassifications.

Material adjustments to statement of cash flows

Consistent with the Company's accounting policy choice under IAS 7 *Statement of Cash Flows*, interest paid in respect of vehicle financing has been classified as financing activities in the unaudited condensed statement of cash flows, whereas it was previously included in operating activities. Interest paid and income taxes paid are now presented in the body of the statement of cash flows under financing activities and operating activities, respectively, whereas they were presented as supplementary information previously. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous GAAP.

The changes made to the condensed statements of financial position and statements of comprehensive income have resulted in reclassifications of various amounts on the condensed statement of cash flows. However, as there have been no changes to net cash flows, no reconciliations are presented.