
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 nine month periods ended September 30, 2011 and September 30, 2010.

QUESTOR TECHNOLOGY INC.
CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Stated in Canadian dollars except per share data
(unaudited)

	Notes	For the three months ended September 30		For the nine months ended September 30	
		2011	2010	2011	2010
Revenue	4	\$ 1,580,395	\$ 1,955,081	\$ 3,297,752	\$ 3,603,768
Cost of sales		(778,152)	(1,532,569)	(1,959,339)	(2,564,676)
Gross profit		802,243	422,512	1,338,413	1,039,092
Administration expenses		(354,330)	(280,670)	(1,143,448)	(892,074)
Net foreign exchange gains (losses)		102,755	(38,434)	23,723	12,495
Research and development costs		2,887	(17,392)	(28,810)	(37,607)
Depreciation of property and equipment	9	(10,922)	(3,359)	(21,958)	(9,680)
Amortization of intangible assets	10	(305)	(305)	(914)	(4,619)
Net gain (loss) on disposal of property and equipment	9	(13,340)	-	188,199	-
Finance costs		-	(4)	-	(1,012)
Other revenue	4	16,516	32,025	294,877	34,169
Profit before tax		545,504	114,373	650,082	140,764
Income tax expense		(240,908)	(48,358)	(256,025)	(66,361)
Profit and comprehensive income		\$ 304,596	\$ 66,015	\$ 394,057	\$ 74,403
Earnings per share	14				
Basic and diluted		\$ 0.012	\$ 0.003	\$ 0.016	\$ 0.003

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	September 30 2011	December 31 2010
ASSETS			
Current assets			
Cash and cash equivalents	7	\$ 3,156,806	\$ 3,995,669
Trade and other receivables	17	1,947,954	1,873,636
Current tax assets		10,178	362
Inventories	8	539,239	313,567
Prepaid expenses and deposits		116,485	107,467
Total current assets		5,770,662	6,290,701
Non-current assets			
Property and equipment	9	1,990,986	1,037,565
Intangible assets	10	9,845	10,759
Deferred tax assets		46,983	49,695
Total non-current assets		2,047,814	1,098,019
Total assets		\$ 7,818,476	\$ 7,388,720
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables, accrued liabilities and provisions		\$ 774,138	\$ 852,821
Current tax liabilities		79,898	230,746
Deferred revenue and deposits		221,361	146,485
Total current liabilities		1,075,397	1,230,052
Non-current liabilities			
Deferred tax liabilities		188,352	108,287
Other non-current liabilities		38,187	-
Total non-current liabilities		226,539	108,287
Total liabilities		1,301,936	1,338,339
Capital and reserves			
Issued capital	11	5,458,215	5,404,966
Reserves	13	612,797	593,944
Retained earnings		445,528	51,471
Total equity		6,516,540	6,050,381
Total liabilities and equity		\$ 7,818,476	\$ 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	-	-	74,403	74,403
Recognition of share-based payments	-	73,860	-	73,860
Issue of ordinary shares under employee share option plan	124,312	(61,813)	-	62,499
Balance at September 30, 2010	5,390,048	585,396	(319,186)	5,656,258
Profit	-	-	370,657	370,657
Recognition of share-based payments	-	15,965	-	15,965
Issue of ordinary shares under employee share option plan	14,918	(7,417)	-	7,501
Balance at December 31, 2010	5,404,966	593,944	51,471	6,050,381
Profit	-	-	394,057	394,057
Recognition of share-based payments	-	45,102	-	45,102
Issue of ordinary shares under employee share option plan	53,249	(26,249)	-	27,000
Balance at September 30, 2011	\$ 5,458,215	\$ 612,797	\$ 445,528	\$ 6,516,540

See accompanying notes to the unaudited condensed financial statements.

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

For the nine months ended September 30	Notes	2011	2010
Cash flows from operating activities			
Profit for the period		\$ 394,057	\$ 74,403
Adjustments for:			
Income tax expense recognized in profit		82,777	64,391
Finance costs recognized in profit		-	1,012
Net gain on disposal of property and equipment	9	(188,199)	-
Depreciation of property and equipment	9	157,734	141,904
Amortization of intangible assets	10	914	4,619
Net foreign exchange gain		(181,119)	(124,203)
Expense recognized in respect of equity-settled share-based payments	12	45,102	73,859
Office lease incentive		38,187	-
Write-downs of inventories to net realizable value	8	2,830	2,006
		352,283	237,991
Movements in working capital	18	(182,015)	266,050
Cash generated from operations		170,268	504,041
Income taxes refunded (paid)		(242,523)	37,453
Net cash generated from (used in) operating activities		(72,255)	541,494
Cash flows from investing activities			
Movements in working capital	18	(33,420)	(1,972)
Payments for property and equipment		(1,279,454)	(41,802)
Proceeds from disposal of property and equipment	9	389,918	-
Interest paid		-	(1,012)
Net cash used in investing activities		(922,956)	(44,786)
Cash flows from financing activities			
Repayment of borrowings		-	(15,232)
Proceeds from issue of ordinary shares under employee share option plan		27,000	62,500
Net cash provided by financing activities		27,000	47,268
Net increase (decrease) in cash and cash equivalents		(968,211)	543,976
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		129,348	125,731
Cash and cash equivalents at end of period		\$ 3,156,806	\$ 3,750,704

See accompanying notes to the unaudited condensed financial statements.

QUESTOR TECHNOLOGY INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 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 nine month periods ended September 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 nine month periods ended September 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 nine month periods ended September 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 nine month periods ended September 30, 2011 (including comparatives) were approved and authorized for issue by the Board of Directors on November 28, 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*. The amendments to IAS 1 require 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*. 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 currently are 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 September 30		Nine months ended September 30	
	2011	2010	2011	2010
Sale of goods	\$ 761,560	\$ 1,496,264	\$ 1,687,753	\$ 2,335,891
Rendering of services				
Incinerator rental income	520,616	323,710	910,471	779,335
Incinerator and combustion services	298,219	135,107	699,528	488,542
	1,580,395	1,955,081	3,297,752	3,603,768
Net gain (loss) on disposal of property and equipment	(13,340)	-	188,199	-
Other revenue				
Order cancellation fee	-	28,444	263,408	28,444
Government assistance	12,010	1,991	15,263	1,991
Interest income	4,044	1,254	6,042	1,275
Aggregate of immaterial items	462	336	10,164	2,459
	\$ 1,583,571	\$ 1,987,106	\$ 3,780,828	\$ 3,637,937

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.

In the third quarters of 2011 and 2010, the Company recorded government assistance of \$12,010 and \$1,991, respectively, to reflect the difference between the actual and estimated Scientific Research and Experimental Development investment tax credits received in respect of prior tax years. These amounts are reflected in other revenue.

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 September 30		Nine months ended September 30	
	2011	2010	2011	2010
Canada	\$ 647,037	\$ 953,681	\$ 1,336,936	\$ 2,128,340
United States	867,549	45,236	2,258,288	307,831
Indonesia	11,288	988,189	93,336	988,189
Other	57,697	-	92,268	213,577
	\$ 1,583,571	\$ 1,987,106	\$ 3,780,828	\$ 3,637,937

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	September 30 2011	December 31 2010
Canada	\$ 1,267,360	\$ 1,037,565
United States	573,340	-
Germany	150,286	-
	\$ 1,990,986	\$ 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	September 30 2011	December 31 2010
United States dollars	\$ 265,775	\$ 1,691,204
Euros	450	376
Other non-Canadian currencies	141	197
	266,366	1,691,777
Canadian dollars	1,885,846	2,303,892
Term deposit plus accreted interest at 1.18 percent	1,004,594	-
	\$ 3,156,806	\$ 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	September 30 2011	December 31 2010
Materials and supplies	\$ 75,596	\$ 62,859
Work in progress	356,365	173,365
Finished goods	107,278	77,343
	\$ 539,239	\$ 313,567

The cost of inventories recognized in profit and included in cost of sales during the three and nine month periods ended September 30, 2011 was \$404,546 (2010 - \$1,288,083) and \$913,209 (2010 - \$1,775,562), respectively. Included in the cost of inventories recognized in profit in the three and nine month periods ended September 30, 2011 were materials and supplies written down from cost to net realizable value in the amount of \$1,799 (2010 - \$63) and \$2,830 (2010 - \$2,006), respectively. There were no reversals of any write-downs in the current or comparative periods.

9. PROPERTY AND EQUIPMENT

Cost	Rental incinerators	Detachable trailers for rental incinerators	Vehicles and trailers	Tools and equipment	Leasehold improvements	Office furniture and equipment	Computer hardware and software	Capital projects in progress	Total
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	176,867	58,244	74,053	373,602	2,129,301
Additions	649,170	-	-	-	-	15,989	4,970	-	1,220,598
Dispositions:									
To third parties	(151,065)	-	(41,889)	-	-	-	-	-	(192,954)
Derecognition	(189,268)	-	-	-	-	-	-	-	(189,268)
Balance at September 30, 2011	1,827,739	175,500	212,759	47,954	176,867	74,233	79,023	373,602	2,967,677
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	102,971	13,162	15,677	3,967	-	-	-	-	135,777
Depreciation expense	-	-	-	-	12,280	3,205	6,472	-	21,957
Depreciation of disposals:									
To third parties	(76,620)	-	(37,076)	-	-	-	-	-	(113,696)
Derecognition	(159,083)	-	-	-	-	-	-	-	(159,083)
Balance at September 30, 2011	579,310	109,945	152,917	23,665	12,280	46,244	52,330	-	976,691
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 September 30, 2011	\$ 1,248,429	\$ 65,555	\$ 59,842	\$ 24,289	\$ 164,587	\$ 27,989	\$ 26,693	\$ 373,602	\$ 1,990,986

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.

In the three and nine month periods ended September 30, 2011, the Company overhauled and modified certain of the equipment in the rental fleet resulting in derecognition of amounts equivalent to the undepreciated capital balance of \$13,340 and \$30,185, respectively.

The net gains and losses of the preceding dispositions are recognized in profit and included in net gain (loss) 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 September 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		-		914	914
Balance at September 30, 2011		277,796		5,380	283,176
Carrying amounts					
At January 1, 2010	\$	3,705	\$	11,977	\$ 15,682
At December 31, 2010	\$	-	\$	10,759	\$ 10,759
At September 30, 2011	\$	-	\$	9,845	\$ 9,845

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	625,000	124,313
Shares issued and outstanding, September 30, 2010	24,632,370	5,390,049
Issue of ordinary shares under employee share option plan	75,000	14,917
Shares issued and outstanding, December 31, 2010	24,707,370	5,404,966
Issue of ordinary shares under employee share option plan	150,000	53,249
Shares issued and outstanding, September 30, 2011	24,857,370	\$ 5,458,215

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 September 30, 2011, directors, officers, key employees and consultants held options over 1,375,000 ordinary shares of the Company. At September 30, 2010, directors, officers, key employees and consultants held options over 1,587,500 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 nine month periods ended September 30, 2011 was \$13,172 (2010 - \$19,824) and \$45,102 (2010 - \$73,859), respectively. Of these amounts, \$2,093 (2010 - \$668) and \$6,460 (2010 - \$12,014), 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 September 30, 2011 and in the prior year:

At September 30, 2011:

Number outstanding	Grant date	Expiry date	Remaining contractual life ⁽¹⁾	Exercise price ⁽²⁾	Fair value at grant date	Number exercisable
500,000	28-Aug-07	28-Aug-12	0.91	\$ 0.6700	\$ 0.6592	500,000
75,000	14-Apr-08	14-Apr-13	1.54	0.4300	0.3246	56,250
300,000	01-May-09	01-May-14	2.58	0.2500	0.1868	150,000
200,000	26-Apr-10	26-Apr-15	3.57	0.2700	0.1905	50,000
100,000	15-Oct-10	15-Oct-15	4.04	0.2350	0.1644	-
200,000	26-Apr-11	26-Apr-16	4.57	0.2250	0.1585	-
1,375,000			2.46	\$ 0.4107		756,250

⁽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 September 30, 2010:

Number outstanding	Grant date	Expiry date	Remaining contractual life ⁽¹⁾	Exercise price ⁽²⁾	Fair value at grant date	Number exercisable
75,000	21-Nov-05	21-Nov-10	0.14	\$ 0.1000	\$ 0.0989	75,000
262,500	29-Sep-06	29-Sep-11	1.00	0.1800	0.1792	262,500
650,000	28-Aug-07	28-Aug-12	1.91	0.6700	0.6592	500,000
75,000	14-Apr-08	14-Apr-13	2.54	0.4300	0.3246	37,500
325,000	01-May-09	01-May-14	3.58	0.2500	0.1868	100,000
200,000	26-Apr-10	26-Apr-15	4.57	0.2700	0.1905	-
1,587,500			2.38	\$ 0.4143		975,000

⁽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						
	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⁾	0.2500	0.6400	0.4450	0.3100	0.2800	0.2800	0.2250
Exercise price (\$)	0.1800	0.6700	0.4300	0.2500	0.2700	0.2350	0.2250
Expected volatility (%)	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
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Risk-free interest rate (%)	4.25	4.20	2.88	1.63	2.59	1.79	2.38
Forfeiture rate (%) ⁽²⁾	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					
	Nine months ended September 30, 2011		Year ended December 31, 2010		Nine months ended September 30, 2010	
	Number	Exercise price ⁽¹⁾	Number	Exercise price ⁽¹⁾	Number	Exercise price ⁽¹⁾
Balance at beginning of period	1,425,000	\$ 0.4307	2,175,000	\$ 0.3334	2,175,000	\$ 0.3334
Granted	200,000	0.2250	400,000	0.2613	300,000	0.2700
Forfeited	(100,000)	0.6700	(450,000)	0.3244	(262,500)	0.3276
Exercised	(150,000)	0.0180	(700,000)	0.1000	(625,000)	0.1000
Expired	-	-	-	-	-	-
Balance at end of period	1,375,000	\$ 0.4107	1,425,000	\$ 0.4307	1,587,500	\$ 0.4143
Exercisable at end of period	756,250	\$ 0.5424	712,500	\$ 0.5100	975,000	\$ 0.4531

⁽¹⁾ Weighted average.

On September 28, 2011, 150,000 common shares were issued upon exercise of share options. These are the only share options exercised in the nine-month period ended September 30, 2011 and 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	\$ 0.1000	\$ 0.2900
Granted on November 21, 2005	100,000	21-Jun-10	0.1000	0.2700
Granted on November 21, 2005	100,000	30-Aug-10	0.1000	0.2600
Granted on November 21, 2005	250,000	01-Sep-10	0.1000	0.2500
Granted on November 21, 2005	100,000	01-Sep-10	0.1000	0.2500
Granted on November 21, 2005	75,000	27-Oct-10	0.1000	0.2400
	700,000		\$ 0.1000	\$ 0.2575

⁽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	Nine months ended September 30 2011	Year ended December 31 2010
Reserves at beginning of period	\$ 593,944	\$ 573,349
Recognition of share-based payments during the period	45,102	89,825
Issue of ordinary shares under employee share option plan during the period	(26,249)	(69,230)
Reserves at end of period	\$ 612,797	\$ 593,944

14. EARNINGS PER SHARE

Basic earnings per share

For the	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Profit for the period attributable to ordinary equity holders	\$ 304,596	\$ 66,015	\$ 394,057	\$ 74,403
Weighted average number of ordinary shares for the purposes of basic earnings per share	24,712,261	24,331,283	24,709,018	24,137,223
Basic earnings per share	\$ 0.012	\$ 0.003	\$ 0.016	\$ 0.003

Diluted earnings per share

For the	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Profit for the period attributable to ordinary equity holders	\$ 304,596	\$ 66,015	\$ 394,057	\$ 74,403
Weighted average number of ordinary shares for the purposes of diluted earnings per share	24,812,335	24,461,645	24,753,921	24,359,365
Diluted earnings per share	\$ 0.012	\$ 0.003	\$ 0.016	\$ 0.003

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 September 30		Nine months ended September 30	
	2011	2010	2011	2010
Weighted average number of ordinary shares for the purposes of basic earnings per share	24,712,261	24,331,283	24,709,018	24,137,223
Shares deemed to be issued for no consideration in respect of employee options	100,074	130,362	44,903	222,142
Weighted average number of ordinary shares for the purposes of diluted earnings per share	24,812,335	24,461,645	24,753,921	24,359,365

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 nine month periods ended September 30, 2011 and September 30, 2010.

As at	September 30	September 30	Exercise price
	2011	2010	
Option series	Number to be exercised	Number to be exercised	
Granted on August 28, 2007	500,000	650,000	\$ 0.6700
Granted on April 14, 2008	75,000	75,000	\$ 0.4300

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 nine-month period ended September 30, 2011 and the three-month period ended September 30, 2010.

Option series	Number to be exercised	Exercise price
Granted on April 26, 2010	200,000	\$ 0.2700

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 September 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	September 30 2011	December 31 2010
Short-term borrowings	\$ -	\$ -
Long-term borrowings	-	-
Debt	-	-
Equity	6,516,540	6,050,381
Total capitalization	\$ 6,516,540	\$ 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 September 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 nine months ended September 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 September 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 87 percent of the Company's revenue in the three months ended September 30, 2011 (2010 - 94 percent) and 75 percent of the Company's revenue in the nine months ended September 30, 2011 (2010 - 81 percent). Revenue from the largest customer represented 18 percent of the Company's revenue in third quarter 2011 (2010 - 50 percent) and 21 percent of the Company's revenue for the first half of 2011 (2010 - 27 percent).

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

As at	September 30 2011	December 31 2010
Current and past due for less than 30 days	\$ 1,307,653	\$ 1,640,135
Past due for 31 – 60 days	135,951	47,863
Past due for 61 – 90 days	2,887	398
Past due for greater than 90 days	70,823	5,503
Billed receivables, net	1,517,314	1,693,899
Allowance for doubtful accounts	-	-
Billed receivables, net	1,517,314	1,693,899
Unbilled receivables	430,640	179,737
Total trade and other receivables, net	\$ 1,947,954	\$ 1,873,636

Six customers represent 68 percent of the Company's total net trade and other receivables at September 30, 2011 (December 31, 2010 – Three customers represented 69 percent).

Five customers comprise the trade and other receivables amounts past due for greater than 90 days at September 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 September 30, 2011 and consequently no impairment is recorded. The movement in the allowance for doubtful accounts is reconciled as follows:

For the	Nine months ended September 30 2011	Year ended December 31 2010	Three months ended September 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 September 30, 2011 and December 31, 2010, the Company had the following contractual maturities with respect to non-derivative financial liabilities:

For the	Maturity	Nine months ended September 30 2011	Year ended December 31 2010
Trade payables, accrued liabilities and provisions	Within 1 year	\$ 774,138	\$ 852,821
Current tax liabilities	Within 1 year	79,898	230,746
		\$ 854,036	\$ 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 September 30, 2011, the Canadian equivalent carrying amounts of the Company's foreign currency denominated monetary assets was \$1,360,590 (December 31, 2010 - \$2,263,433) and of the foreign currency denominated monetary liabilities was \$7,461 (December 31, 2010 - \$nil). Based on the net foreign currency assets as at September 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 \$67,656 (December 31, 2010 - \$113,172).

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 nine months ended September 30	2011	2010
Trade and other receivables	\$ (74,318)	\$ (66,072)
Current tax assets	(9,816)	306,469
Inventories	(225,672)	(53,555)
Prepaid expenses and deposits	(9,018)	(23,383)
Deferred expenses	-	2,356
Trade payables, accrued liabilities and provisions	(78,683)	132,345
Current tax liabilities	(150,848)	33,953
Deferred revenue and deposits	74,876	(25,076)
	(473,479)	307,037
Capital costs included in trade payables, accrued liabilities and provisions	(33,420)	(1,972)
Write-downs included in inventories	(2,830)	(2,006)
Net foreign exchange gains (losses) included in working capital	51,771	(1,528)
Income taxes paid (refunded) in current tax liabilities	242,523	(37,453)
	\$ (215,435)	\$ 264,078

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 September 30		Nine months ended September 30	
	2011	2010	2011	2010
Questor purchased vehicle repairs and maintenance services at market value from a corporation owned by a director of the Company ⁽¹⁾	\$ 1,562	\$ -	\$ 17,172	\$ -
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⁾	38,025	36,405	114,257	114,540
Questor transacted with a member of the key management personnel who supplied the Company with rental equipment at market value	-	-	-	2,535
	\$ 39,587	\$ 36,405	\$ 131,429	\$ 117,075
Amounts owing from related parties	\$ -	\$ -	\$ -	\$ -
Amounts owing to related parties ^{(1) (2)}	\$ 12,735	\$ 13,410	\$ 12,735	\$ 13,410

⁽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 nine month periods ended September 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 nine month periods ended September 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 September 30, 2010 (stated in Canadian dollars):

As at	Notes	September 30 2010 Previous GAAP	Effect of transition to IFRS	September 30 2010 IFRS
ASSETS				
Current assets				
Cash		\$ 3,750,704	\$ -	\$ 3,750,704
Trade and other receivables		930,332	-	930,332
Current tax assets		381	-	381
Inventories		486,700	-	486,700
Prepaid expenses and deposits		124,455	-	124,455
Total current assets		5,292,572	-	5,292,572
Non-current assets				
Property and equipment	(a)	1,357,221	(266,537)	1,090,684
Intangible assets		11,063	-	11,063
Deferred tax assets	(d)	-	53,563	53,563
Total non-current assets		1,368,284	(212,974)	1,155,310
Total assets		\$ 6,660,856	\$ (212,974)	\$ 6,447,882
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables, accrued liabilities and provisions		\$ 480,495	\$ -	\$ 480,495
Current tax liabilities		52,987	-	52,987
Deferred revenue and deposits		173,565	-	173,565
Total current liabilities		707,047	-	707,047
Non-current liabilities				
Deferred tax liabilities	(c),(d)	98,116	(13,539)	84,577
Total liabilities		805,163	(13,539)	791,624
Capital and reserves				
Issued capital		5,390,048	-	5,390,048
Reserves	(b)	499,854	85,542	585,396
(Deficit) retained earnings	(a),(b),(c)	(34,209)	(284,977)	(319,186)
Total equity		5,855,693	(199,435)	5,656,258
Total liabilities and equity		\$ 6,660,856	\$ (212,974)	\$ 6,447,882

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

	Notes	September 30 2010 Previous GAAP	Effect of transition to IFRS	September 30 2010 IFRS
Revenue		\$ 1,955,081	\$ -	\$ 1,955,081
Cost of sales	(a),(b)	(1,519,890)	(12,679)	(1,532,569)
Gross profit		435,191	(12,679)	422,512
Administration expenses	(b),(e)	(312,404)	31,734	(280,670)
Net foreign exchange losses		(38,434)	-	(38,434)
Research and development costs	(e)	-	(17,392)	(17,392)
Depreciation of property and equipment		(3,359)	-	(3,359)
Amortization of intangible assets		(305)	-	(305)
Finance costs		(4)	-	(4)
Other revenue		32,025	-	32,025
Profit before tax		112,710	1,663	114,373
Income tax expense	(c)	(51,272)	2,914	(48,358)
Profit and comprehensive income		\$ 61,438	\$ 4,577	\$ 66,015
Earnings per share - Basic		\$ 0.003	\$ 0.000	\$ 0.003

Statement of Comprehensive Income

For the nine months ended September 30, 2010 (stated in Canadian dollars except per share amounts):

	Notes	September 30 2010 Previous GAAP	Effect of transition to IFRS	September 30 2010 IFRS
Revenue		\$ 3,603,768	\$ -	\$ 3,603,768
Cost of sales	(a),(b)	(2,532,223)	(32,453)	(2,564,676)
Gross profit		1,071,545	(32,453)	1,039,092
Administration expenses	(b),(e)	(965,463)	73,389	(892,074)
Net foreign exchange gains		12,495	-	12,495
Research and development costs	(e)	-	(37,607)	(37,607)
Depreciation of property and equipment		(9,680)	-	(9,680)
Amortization of intangible assets		(4,619)	-	(4,619)
Finance costs		(1,012)	-	(1,012)
Other revenue		34,169	-	34,169
Profit before tax		137,435	3,329	140,764
Income tax expense	(c)	(73,862)	7,501	(66,361)
Profit and comprehensive income		\$ 63,573	\$ 10,830	\$ 74,403
Earnings per share - Basic		\$ 0.003	\$ 0.000	\$ 0.003

Reconciliation of changes in equity

As at September 30, 2010 (stated in Canadian dollars)

For the period ended	Notes	September 30 2010
Shareholders' equity under previous GAAP		\$ 5,855,693
Effect of transition to IFRS:		
Property and equipment	(a)	(266,537)
Income taxes	(c)	67,102
Equity under IFRS		\$ 5,656,258

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	September 30 2010
Decrease in property and equipment	\$ (229,710)	\$ (266,537)
Increase in deficit	\$ 229,710	\$ 266,537

Statement of comprehensive income	Three months ended September 30 2010	Nine months ended September 30 2010
Increase in cost of sales	\$ 12,691	\$ 36,827
Decrease in profit	\$ 12,691	\$ 36,827

(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	September 30 2010
Increase in reserves	\$ (125,698)	\$ (85,542)
Increase in deficit	\$ 125,698	\$ 85,542

Statement of comprehensive income	Three months ended September 30 2010	Nine months ended September 30 2010
Decrease in cost of sales	\$ (13)	\$ (4,374)
Decrease in administration expenses	\$ (14,342)	\$ (35,782)
Increase in profit	\$ (14,355)	\$ (40,156)

(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	September 30 2010
Decrease in deferred tax liabilities	\$ 59,602	\$ 67,103
Decrease deficit	\$ (59,602)	\$ (67,103)

Statement of comprehensive income	Three months ended September 30 2010	Nine months ended September 30 2010
Decrease in deferred income tax expense	\$ (2,914)	\$ (7,501)
Increase profit	\$ (2,914)	\$ (7,501)

(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	September 30 2010
Decrease in current future income tax assets	\$ (50,113)	\$ -
Increase in deferred tax assets	102,828	53,563
Decrease in current future income tax liabilities	2,281	-
Increase in deferred tax liabilities	(54,996)	(53,563)
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 investing 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 investing 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.