NOTE TO READER

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) released by the Canadian Securities Administrators, Questor Technology Inc. discloses that the Company's independent auditor has not reviewed the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Stated in Canadian dollars, unaudited

	Notes	**June 30, 2020**	Dec 31, 2019
ASSETS			
Current assets			
Cash		**$15,159,783**	$13,491,383
Trade and other receivables	16	**2,327,439**	5,571,950
Inventories		**2,226,697**	2,167,750
Prepaid expenses and deposits		**341,216**	954,784
Current tax assets		**1,018,368**	318,488
Total current assets		**21,073,503**	22,504,355
Non-current assets			
Property and equipment	4,14	**16,956,621**	17,923,848
Right-of-use assets	5	**531,828**	792,033
Intangible assets	6,14	**696,304**	810,728
Deferred tax assets		**-**	79,048
Total non-current assets		**18,184,753**	19,605,657
Total assets		**$39,258,256**	$42,110,012
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables, accrued liabilities and provisions		**$519,814**	$2,485,445
Deferred revenue		**1,106,291**	1,982,166
Current portion of lease obligations	9	**169,862**	273,266
Current tax liabilities		**-**	337,617
Total current liabilities		**1,795,967**	5,078,494
Non-current liabilities			
Lease obligations	9	**385,559**	526,891
Deferred tax liabilities		**1,376,340**	1,170,960
Total non-current liabilities		**1,761,899**	1,697,851
Total liabilities		**3,557,866**	6,776,345
Shareholders' equity			
Issued capital	7,8	**8,545,502**	8,256,566
Contributed surplus		**1,285,109**	1,326,096
Retained earnings		**25,825,720**	25,807,778
Cumulative translation adjustment		**44,059**	(56,773)
Total shareholders' equity		**35,700,390**	35,333,667
Total liabilities and shareholders' equity		**$39,258,256**	$42,110,012

Contingencies 20

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Stated in Canadian dollars except per share data, unaudited

		Three months ended June 30,		Six months ended June 30,	
For the	Notes	**2020**	2019	**2020**	2019
Revenue	14,16	**$1,030,724**	$7,363,483	**$5,520,194**	$15,083,971
Cost of sales		**1,067,541**	2,797,299	**3,570,065**	6,099,004
Gross Profit (Loss)		**(36,817)**	4,566,184	**1,950,129**	8,984,967
Administration expenses		**1,068,564**	1,125,538	**2,168,658**	2,146,096
Depreciation of properties and equipment and right-of-use assets	4,5	**36,227**	22,226	**69,857**	54,380
Amortization of intangible assets	6	**57,212**	57,516	**114,424**	115,032
Net foreign exchange (gains) loss		**290,487**	209,972	**(582,265)**	274,156
Other expense		**148,247**	223,460	**129,806**	315,280
Profit (Loss) before tax		**(1,637,554)**	2,927,472	**49,649**	6,080,023
Income tax expense (recovery)		**(390,044)**	865,620	**31,707**	1,682,102
Profit (Loss) for the period		**$(1,247,510)**	$2,061,852	**$17,942**	$4,397,921
Exchange differences on translating foreign operations		**(55,617)**	21,858	**100,832**	47,747
Total comprehensive income (loss)		**$(1,303,127)**	$2,083,710	**$118,774**	$4,445,668
Earnings (Loss) per share	13				
Basic		**$(0.05)**	$0.08	**$0.00**	$0.16
Diluted		**$(0.05)**	$0.07	**$0.00**	$0.16

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Stated in Canadian dollars except per share data, unaudited

	Notes	Issued capital	Reserves	Retained earnings	Cumulative Translation Adjustment	Total equity
Balance at December 31, 2018		$6,381,520	$1,702,303	$18,265,088	$30,544	$26,379,455
Impact of change in accounting policy		-	-	114,100	-	114,100
January 1, 2019		$6,381,520	$1,702,303	$18,379,188	$30,544	$26,493,555
Profit for the period		-	-	4,397,921	-	4,397,921
Share-based payments	8	-	124,510	-	-	124,510
Stock options exercised	7,8	1,761,468	(725,562)	-	-	1,035,906
Translation of foreign operations		-	-	-	(47,747)	(47,747)
Balance at June 30, 2019		$8,142,988	$1,101,251	$22,777,109	$(17,203)	$32,004,145
Balance at December 31, 2019		**$8,256,566**	**$1,326,096**	**$25,807,778**	**$(56,773)**	**$35,333,667**
Profit for the period		**-**	**-**	**17,942**	**-**	**17,942**
Share-based payments	**8**	**-**	**116,658**	**-**	**-**	**116,658**
Stock options exercised	**7,8**	**288,936**	**(157,645)**	**-**	**-**	**131,291**
Translation of foreign operations		**-**	**-**	**-**	**100,832**	**100,832**
Balance at June 30, 2020		**$8,545,502**	**$1,285,109**	**$25,825,720**	**$44,059**	**$35,700,390**

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Stated in Canadian dollars, unaudited

For the six months ended June 30,	Notes	**2020**	2019
Cash flows from operating activities			
Profit for the period		**17,942**	4,397,921
Adjustments for:			
Income tax expense		**31,707**	1,682,102
Depreciation of property and equipment and right-of-use assets	4,5	**1,199,390**	1,070,101
Amortization of intangible assets	6	**114,424**	115,032
Lease interest	9	**17,481**	25,561
Share-based payments	8	**73,698**	124,510
Movements in non-cash working capital	17	**1,817,156**	65,507
Income taxes (paid)		**(1,536,593)**	(1,178,861)
Net cash provided by operating activities		**1,735,205**	6,301,873
Cash used in investing activities			
Payments for property and equipment		**(54,580)**	(6,133,017)
Proceeds of disposition of property and equipment		**-**	76,589
Net cash used in investing activities		**(54,580)**	(6,056,428)
Cash from financing activities			
Proceeds from exercise of stock options	8	**174,251**	708,107
Lease obligations principal payments	9	**(153,084)**	(167,107)
Net cash provided by financing activities		**21,167**	541,000
Net increase in cash		**1,701,792**	786,445
Cash at beginning of the period		**13,491,383**	8,809,644
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(33,392)**	(127,369)
Cash at end of the period		**$15,159,783**	$9,468,720

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

1. DESCRIPTION OF BUSINESS

Questor Technology Inc. ("Questor" or the "Company") is incorporated in Canada under the Business Companies Act (*Alberta*). Questor is a public, environmental clean technology company founded in 1994 and headquartered in Calgary, Alberta, with field offices located in; Grande Prairie, Alberta; Brighton, Colorado; Watford City, North Dakota and Brooksville, Florida. The Company is active in Canada and the United States and is focused on clean air technologies that safely and cost effectively improve air quality, support energy efficiency and greenhouse gas emission reductions. Questor designs, manufactures and services high efficiency waste gas combustion systems. The Company's proprietary combustion technology is utilized in the effective management of Methane, Hydrogen Sulfide gas, Volatile Organic Hydrocarbons, Hazardous Air Pollutants and BTEX (Benzene, Toluene, Ethylbenzene and Xylene) gases ensuring sustainable development, community acceptance and regulatory compliance. Questor and its subsidiary, ClearPower Systems Inc. has developed heat to power generation technology and is currently marketing solutions to various markets including landfill biogas, syngas, waste engine exhaust, geothermal and solar, cement plant waste heat in addition to a wide variety of oil and gas projects. The Company's common shares are traded on the TSX Venture Exchange under the symbol "QST". The address of the Company's corporate and registered office is 2240, 140 – 4 Avenue S.W. Calgary, Alberta, Canada, T2P 3N3.

2. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements (the "financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019. All financial information is reported Canadian dollars, unless otherwise noted.

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

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 3 "Summary of Significant Accounting Policies" of the Company's audited consolidated financial statements for the year ended December 31, 2019. All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those of the previous financial year, except as listed in Note 3 "Changes in Accounting Policies".

These financial statements were authorized for issue by the Company's Board of Directors on August 5, 2020.

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil as well as natural gas, impacting Questor's customers and its business. As a result of declining commodity prices and financial markets, the Company's share price and market capitalization declined from December 31, 2019. The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact.

The outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of financial results. A full list of the key sources of estimation uncertainty can be found in the Company's annual Consolidated Financial Statements for the year ended December 31, 2019. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the consolidated financial statements, particularly related to:

i) Impairment of non-financial assets as it relates to impairment assessment on property and equipment;

ii) Allowance for doubtful accounts (expected credit loss) as it relates to accounts receivable from customers who operate in the energy sector and are equally impacted by these same COVID-19 issues; and

iii) Tax provisions where estimates are made of annual taxable income.

3. UPDATE TO SIGNIFICANT ACCOUNTING POLICIES

Government Grants

Government grants are transfers of resources to an entity by government in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants, including non-monetary grants at fair value, shall be recognised when there is reasonable assurance that:

(a) the entity will comply with the conditions attaching to them; and

(b) the grants will be received. As a response to the COVID-19 global pandemic, the Company applied Emergency Wage Subsidy (CEWS) program in April, 2020. The Company recognized as a reduction of salary expense during the three months ended June 30, 2020

4. PROPERTY AND EQUIPMENT

	Rental incinerators and trailers	Light vehicles, tools & equipment	Office equipment & leasehold improvements	Total
Cost				
Balance at December 31, 2018	$16,426,291	$1,127,951	$455,514	$18,009,756
Additions	6,922,498	292,323	34,898	7,249,719
Disposals and transfers	(624,180)	-	-	(624,180)
Impact of changes in accounting policy	-	-	(240,000)	(240,000)
Foreign currency translation	-	(29,266)	(504)	(29,770)
Balance at December 31, 2019	$22,724,609	$1,391,021	$249,908	$24,365,525
Additions	**908**	**-**	**54,580**	**55,488**
Foreign currency translation	**-**	**40,240**	**493**	**40,733**
Balance at June 30, 2020	**$22,725,517**	**$1,431,261**	**$304,981**	**$24,461,746**
Accumulated depreciation				
Balance at December 31, 2018	$3,893,723	$528,324	$168,185	$4,590,232
Depreciation charges included in:				
Cost of sales	1,798,116	145,582	-	1,943,698
Depreciation expense	-	(87)	25,252	25,165
Disposals and transfers	(62,753)	-	-	(62,753)
Impact of changes in accounting policy		-	(50,667)	(50,667)
Foreign currency translation		(4,213)	215	(3,998)
Balance at December 31, 2019	$5,629,086	$669,606	$142,985	$6,441,677
Depreciation charges included in:				
Cost of sales	**956,612**	**70,539**	**-**	**1,027,151**
Depreciation expense	**-**	**3,114**	**17,917**	**21,031**
Foreign currency translation	**-**	**14,946**	**320**	**15,266**
Balance at June 30, 2020	**$6,585,698**	**$758,205**	**$161,222**	**$7,505,125**
Carrying amounts				
At December 31, 2019	$17,095,523	$721,402	$106,923	$17,923,848
Balance at June 30, 2020	**$16,139,819**	**$673,056**	**$143,759**	**$16,956,621**

For the purpose of assessing impairment of non-financial assets, the Company groups assets and liabilities into cash generating units (CGUs). Management has determined that the two appropriate CGU's for the Company are Incineration and Heat to Power.

At June 30, 2020, the Company determined that indicators of impairment existed within the Company's CGUs. These indicators arose due to the unprecedented worldwide impact on businesses as a result of the COVID-19 pandemic, together with the simultaneous downward pressure on oil commodity prices caused by oversupply conditions.

Testing was completed for the Heat to Power CGU and is detailed in note 6 Intangible Assets as substantially all of the capitalized costs for the Heat to Power CGU are technology development costs and reflected in the Intangible Assets amounts.

Testing was completed for the Incineration CGU and no impairment resulted, as the calculated recoverable amount associated with the Company's Incineration CGUs was higher than their carrying amounts. Recoverable value is calculated as the greater of value in use and fair value less costs of disposal.

The recoverable amount of the Incineration CGU of approximately $26,871,051 was determined based on a value in use calculation using pre-tax cash flow projections over a five year period based on management's best estimates, and a pre-tax discount rate of 19%. The most significant assumptions used in the impairment calculation are the discount rate and the estimates used in determining future expected cash flows. At June 30, 2020, value in use was the relevant recoverable amount to use in the impairment calculations, calculated as the future five year discounted net cash flows expected to be derived from the CGU's business, using forecast prices and cost estimates. Cash flows beyond the year five forecast were extrapolated using a terminal value multiple.

A sensitivity analysis was performed on the June 30, 2020 impairment test on the discount rate and expected future cash-flows. A change in these items would have the following impact on impairment:

	Impairment
10% decrease in expected future cash-flows	**$nil**
1 % increase in discount rate	**$nil**

5. RIGHT OF USE (ROU) ASSETS

Cost	
Balance, January 1, 2019	$790,596
Additions	350,241
Foreign currency translation	(10,089)
Balance at December 31, 2019	$1,130,748
Additions	-
Contract cancellation	(121,847)
Foreign currency translation	20,036
Balance at June 30, 2020	**$1,028,937**

Accumulated Depreciation	
Balance, January 1, 2019	-
Depreciation on ROU assets expensed	341,792
Foreign currency translation	(3,077)
Balance at December 31, 2019	$338,715
Additions	151,208
Foreign currency translation	7,188
Balance at June 30, 2020	**$497,109**

Carrying Amounts	
Balance at December 31, 2019	$792,033
Balance at June 30, 2020	**$531,828**

In May 2020, the Company cancelled one of the facilities contracts, resulting in reduction in lease liabilities.

6. INTANGIBLE ASSETS

Cost	Heat to power development	Design drawings	Patents	Total
Balance at December 31, 2018	$1,732,839	$341,952	$15,225	$2,090,016
Additions	348,054	-	-	348,054
Balance at December 31, 2019	$2,080,893	$341,952	$15,225	$2,438,070
Additions	**-**	**-**	**-**	**-**
Balance at June 30, 2020	**$2,080,893**	**$341,952**	**$15,225**	**$2,438,070**
Accumulated Amortization				
Balance at December 31, 2018	$1,053,518	$329,753	$14,210	$1,397,481
Amortization expense	226,443	2,403	1,015	229,861
Balance at December 31, 2019	$1,279,961	$332,156	$15,225	$1,627,342
Amortization expense	**113,222**	**1,202**	**-**	**114,424**
Balance at June 30, 2020	**$1,393,183**	**$333,358**	**$15,225**	**$1,741,766**
Carrying Amounts				
Balance at December 31, 2019	$800,932	$9,796	$-	$810,728
Balance at June 30, 2020	**$687,710**	**$8,594**	**$-**	**$696,304**

Testing was completed for the Heat to Power CGU and no impairment resulted, as the calculated recoverable amount associated with the Company's Heat to Power CGU was higher than its carrying amounts. Recoverable value is calculated as the greater of value in use and fair value less costs of disposal.

The recoverable amount of the Heat to Power CGU of approximately $2,289,511 was determined based on a value in use calculation using pre-tax cash flow projections over a five year period based on management's best estimates, and a pre-tax discount rate of 19%. The most significant assumptions used in the impairment calculation are the discount rate and the estimates used in determining future expected cash flows.

A sensitivity analysis was performed on the June 30, 2020 impairment test on the discount rate and expected future cash-flows. A change in these items would have the following impact on impairment:

	Impairment
10% decrease in expected future cash-flows	**$nil**
1 % increase in discount rate	**$nil**

7. ISSUED CAPITAL

Authorized

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

Shares issued and outstanding	Number of shares	Share capital
Shares issued and outstanding, December 31, 2019	27,215,120	$8,256,566
Stock options exercised	157,500	288,936
Shares issued and outstanding, June 30, 2020	**27,372,620**	**$8,545,502**

Share options exercised under the Company's share option plan

During the three months ended June 30, 2020, no options were exercised.

During the six months ended June 30, 2020, 157,500 options were exercised for cash consideration of $174,251. The fair value of these options, of $114,685 was transferred from contributed surplus to issued capital upon the exercise of the respective options.

8. SHARE-BASED PAYMENTS

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

On May 14, 2019 the Board of Directors approved the performance share unit and restricted share unit plan ("PSU&RSU Plan"). The PSU&RSU Plan was subsequently approved by the shareholders of the Company on July 10, 2019. The implementation of the PSU&RSU Plan has been adopted to provide a vehicle by which equity-based incentives to directors and officers, as well as select employees and consultants to incentivize the long-term success of the Corporation. The Board, through the Company's compensation sub-committee, may in its sole discretion, grant PSUs and RSUs to select individuals. The maximum number of equity-based compensation units including stock options, PSUs and RSUs that may be reserved for issuances shall not exceed 10 percent of the outstanding common shares of the Corporation which is in accordance with the current Stock Option plan. At June 30, 2020, the Company has not granted any PSU's or RSU's to any directors and officers, employees or consultants.

SHARE-BASED PAYMENTS (continued)

The following share-based payment arrangements were in existence at:

At June 30, 2020

Number outstanding	**Grant date**	**Expiry date**	**Remaining contractual life**		**Exercise price**		**Fair value at grant date**	**Number exercisable**
315,000	**7-Dec-16**	**7-Dec-21**	**1.44**		**0.65**		**0.44**	**198,750**
75,000	**10-Oct-17**	**10-Oct-22**	**2.28**		**1.40**		**0.86**	**-**
216,000	**1-Dec-17**	**1-Dec-22**	**2.42**		**2.35**		**1.44**	**88,750**
187,500	**27-May-19**	**27-May-24**	**3.90**		**5.09**		**2.90**	**46,875**
793,500			**2.37**	**(1)**	**$ 2.23**	**(2)**		**334,375**

At December 31, 2019

Number outstanding	Grant date	Expiry date	Remaining contractual life		Exercise price		Fair value at grant date	Number exercisable
50,000	20-Jan-16	20-Jan-21	1.06		0.77		0.56	-
427,500	7-Dec-16	7-Dec-21	1.94		0.65		0.44	267,500
75,000	10-Oct-17	10-Oct-22	2.78		1.40		0.86	-
294,750	1-Dec-17	1-Dec-22	2.92		2.35		1.44	127,500
257,500	27-May-19	27-May-24	4.40		5.09		2.90	-
1,104,750			2.79	(1)	$ 2.19	(2)		395,000

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

Share-based payments for the three months ended June 30, 2020 were $(42,960) (2019 - $73,429). Share-based payments for the six months ended June 30, 2020 were $73,698 (2019 - $124,510).

The share options outstanding and exercisable at the beginning and end of the periods is as follows:

	Options Outstanding			
	June 30, 2020		December 31, 2019	
	Number	**Exercise price(1)**	Number	Exercise price(1)
Balance at beginning of the year	**1,104,750**	**$2.19**	1,563,000	$1.43
Granted	**-**	**-**	257,500	5.09
Forfeited	**(153,750)**	**$3.11**	(3,500)	2.35
Exercised	**(157,500)**	**1.11**	(712,250)	1.55
Balance at end of the period	**793,500**	**$2.23**	1,104,750	$2.19
Exercisable at end of the period	**334,375**	**$1.72**	395,000	$1.20

(1) *Weighted average.*

9. LEASES

The following table sets out the movement in the right-of-use assets by class of underlying asset:

Lease Obligations	
Balance, January 1, 2019	$790,596
Additions	350,241
Interest	36,448
Lease payments	(369,190)
Foreign currency translation	(7,938)
Balance at December 31, 2019	$800,157
Additions	22,372
Cancellation	(124,318)
Interest	17,481
Lease payments	(153,084)
Foreign currency translation	(7,187)
Balance at June 30, 2020	**$555,421**

Lease obligations due within one year	169,862
Lease obligations due beyond one year	385,559
	$555,421

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to:

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

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements other than the financial tests and covenants associated with its credit facilities as described in Note 10. At June 30, 2020 and 2019, Questor complied with these covenants.

The Company's capital structure consists of equity and cash. In order to maintain or alter the capital structure, the Company may adjust capital spending, refinance existing credit facilities, raise new debt and issue common shares. The Company expects that funds generated from operations and cash amounts will provide sufficient capital resources and liquidity to fund existing operations in 2020.

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-term and long-term borrowings unadjusted for cash balances. Equity is defined as issued capital and reserves attributable to equity holders. Total capitalization is defined as the sum of debt unadjusted for cash balances and the book value of equity. The Company has no debt; therefore, the total debt-to-total capitalization ratio is 0 percent.

The Company believes that its cash deposits, non-cash working capital and net cash generated from operating activities is enough to fund operations and anticipated capital requirements in 2020. The debt facilities secured during the year are undrawn and available to provide additional capital resources.

At June 30, 2020, the Company held cash balances of $15,159,783

11. BORROWING FACILITES

Operating Loan Facility

The Company has in place a revolving demand operating loan facility, which is available to a maximum of $1,000,000 (2019 - $1,000,000), subject to specified margin requirements. The revolving demand operating loan bears interest at bank prime plus 1 percent per annum (2019 – bank prime plus 1 percent). Up to $100,000 (2019 - $100,000) of this loan is available to secure the issue of letters of credit and/or letters of guarantee for suppliers.

Capital Loan Facility

The capital loan facility was secured to assist in the financing of capital expenditures. The facility makes available a revolving demand capital loan to a maximum of $5,000,000 (2019 - $5,000,000). The revolving demand capital loan bears interest at bank prime plus 1.25 percent per annum.

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

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

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

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

The EDC facility was secured to assist in the financing of the day-to-day operations of the Company through the issuance by the bank of letters of guarantee, standby letters of credit, performance bonds, counter guarantees, counter standby letters of credit or similar credits from time to time (each an "LG") upon the instructions of the Company. The EDC facility is available to a maximum of $2,000,000 (2019 - $2,000,000) and bears interest at bank prime plus 1.0 percent per annum. The availability of each LG shall be at the discretion of EDC and subject to the various stated conditions. LG's are available for term of up to 12 months and require satisfactory performance of security guarantees ("PSG") from EDC (or guarantees from private insurance companies acceptable to the EDC) in the amount and terms of the obligation. In the event EDC (or private insurance company) does not extend coverage under the PSG, the Company is required to provide security in form and substance satisfactory to the bank. At the time of issuance by EDC of each performance LG, a fee equal to 1.50 percent per annum is charged against the face amount and over the term of the performance LG.

BORROWING FACILITES (continued)

Borrowing Facilities

All of the borrowing facilities have financial tests and other covenants customary for these types of facilities. At the end of each fiscal quarter the Company's debt-to-tangible-net-worth must be less than 2.5 and the Company's working capital ratio must be greater than 1.25. At the end of each fiscal year, Questor's debt service coverage ratio must be in excess of 1.25. The Company was in compliance with the borrowing facilities covenants. No amounts have been drawn on the borrowing facilities at June 30, 2020.

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

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, trade and other receivables and trade payables, accrued liabilities and provisions. The carrying amounts of the current financial assets and current financial liabilities recognized in the Company's consolidated financial statements at the end of each reporting period approximate their fair value due to their short period to maturity. At June 30, 2020, there were no investments, short-term or long-term borrowings outstanding. The Company did not hold or issue any derivative financial instruments during the period.

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

Foreign currency risk

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. The Company maintains cash balances and enters into transactions denominated in foreign currencies, principally in United States dollars, which exposes the Company to fluctuating balances and cash flows due to variations in foreign exchange rates. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and property and equipment from vendors in the United States.

The Company recorded a $0.3 million foreign exchange loss for the three months ended June 30, 2020 versus a loss of $0.2 million in 2019. Foreign exchange gains and losses arise from the translation of net monetary assets or liabilities that are held in U.S. dollars. The foreign exchange gains incurred during the quarter are attributable to the translation of U.S. dollar-denominated monetary assets which appreciated against the Canadian dollar. The Canadian dollar strengthened versus the US dollar in the three months ended June 30, 2020.

The Company currently has limited commitments in US dollars and as a result has not implemented currency hedges. The Company will continue to monitor currency requirements and may implement currency strategies to satisfy obligations or commitments when they arise.

Credit risk

Credit risk arises from the potential that one or more counterparties fail to meet their obligations.

The Company is exposed to credit risk through its trade and other receivables. The COVID-19 pandemic has had a significantly negative impact on global economic conditions, resulting in significant volatility of commodity prices as well as increased economic uncertainty.

The Company assesses the creditworthiness of its customers before providing services and on an ongoing basis, as well as increased its monitoring of receivables due from clients to manage credit risk. The Corporation views credit risks on its accounts receivable as normal for the industry.

13. EARNINGS (LOSS) PER SHARE

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Profit (loss) for the period attributable to ordinary equity holders	**$(1,247,510)**	$2,061,852	**$17,942**	$4,397,921
Weighted average number of common shares for the purpose of:				
Basic	**27,372,620**	27,099,237	**27,361,185**	26,923,467
Basic earnings (loss) per share	**$(0.05)**	$0.08	**$0.00**	$0.16
Weighted average number of common shares for the purpose of:				
Diluted	**27,372,620**	27,768,061	**27,643,911**	27,576,801
Diluted earnings (loss) per share	**$(0.05)**	$0.07	**$0.00**	$0.16

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**27,372,620**	27,099,237	**27,361,185**	26,923,467
Shares deemed to be issued for no consideration in respect of employee options	**196,361**	668,824	**282,727**	653,334
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	**27,568,981**	27,768,061	**27,643,911**	27,576,801

For the three months ended June 30, 2020, shares deemed to be issued are not included in the computation of diluted earnings (loss) per share, because to do so would have been anti-dilutive.

14. SEGMENTED INFORMATION

The Company reports its financial results as one reportable segment as this is how the financial information is reviewed by the chief decision makers of the Company.

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

For the three months ended June 30, 2020			
	Canada	**United States**	**Consolidated**
Incinerator sales	**$90,879**	**$43,198**	**$134,077**
Incinerator rentals	**-**	**731,194**	**731,194**
Incinerator service & repairs	**12,600**	**152,853**	**165,453**
	$103,479	**$927,245**	**$1,030,724**

For the three months ended June 30, 2019			
	Canada	United States	Consolidated
Incinerator sales	$1,818,525	$102,382	$1,920,907
Incinerator rentals	-	4,771,526	4,771,526
Incinerator service & repairs	26,349	644,701	671,050
	$1,844,874	$5,518,609	$7,363,483

For the six months ended June 30, 2020			
	Canada	**United States**	**Consolidated**
Incinerator sales	**$102,962**	**$2,082,869**	**$2,185,831**
Incinerator rentals	**-**	**2,896,209**	**2,896,209**
Incinerator service & repairs	**38,302**	**399,852**	**438,154**
	$141,264	**$5,378,930**	**$5,520,194**

For the six months ended June 30, 2019			
	Canada	United States	Consolidated
Incinerator sales	$4,269,477	$139,350	$4,408,827
Incinerator rentals	21,400	9,212,530	9,233,930
Incinerator service & repairs	145,356	1,295,858	1,441,214
	$4,436,233	$10,647,738	$15,083,971

The following table provides information regarding the location of the Company's non-current assets on a geographic basis:

Property and equipment		
As at	**June 30, 2020**	December 31, 2019
Canada	**$463,274**	$478,268
United States	**16,493,347**	17,445,580
	$16,956,621	$17,923,848
Intangible		
Canada	**$696,304**	$810,728
United States	-	-
	$696,304	$810,728

15. INCOME TAX

On May 28, 2019, the Government of Alberta substantively enacted a reduction in the provincial corporate tax rate from 12% to 8% over four years. The Alberta government recently accelerated its plans to cut the general corporate tax rate from 10% to 8%, bringing the combined general corporate rate down to 23%. The rate reduction came into effect on July 1, 2020. As a result, the effective tax rate for the three months ended June 30, 2020 was 25.0 percent versus 29.6 percent for the same period in 2019. The effective tax rate for six months ended June 30, 2020 was 63.90 versus 27.7% for the same period in 2019. The higher effective tax rate is due to the impact of non-deductible expenses relative to loss for the period.

16. INFORMATION ABOUT MAJOR CUSTOMERS

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Number of customers comprising greater than 10% of total revenues for the period:	**3**	2	**3**	2
Revenue for each customer that represents greater than 10% of total revenues for the period:				
Customer#1	**$264,018**	$2,277,897	**$1,022,984**	$4,078,910
Customer#2	**$186,192**	$1,554,293	**$976,480**	$3,436,971
Customer#3	**$147,171**	$-	**$927,233**	$-

	As at June 30	
	2020	2019
Number of customers comprising greater than 10% of total trade and other receivables at the end of the period:	**3**	2
Accounts receivable balance for each customer that represents greater than 10% of total trade and other receivables at the end of the period:		
Customer#1	**$1,253,338**	$1,546,020
Customer#2	**$406,796**	$694,813
Customer#3	**$292,821**	$-

17. MOVEMENTS IN NON-CASH WORKING CAPITAL

For the six months ended June 30	**2020**	2019
Trade and other receivables	**$3,244,510**	$140,422
Inventories	**(72,066)**	(718,582)
Prepaid expenses and deposits	**613,568**	354,945
Trade payables, accrued liabilities and provisions	**(1,092,981)**	290,767
Deferred revenue and deposits	**(875,875)**	(2,045)
	$1,817,156	$65,507

18. SEASONALITY AND CYCLICALITY OF OPERATIONS

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

19. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company may transact with related parties. Apart from key management compensation, there are no related party transactions in the period ended June 30, 2020.

In April 2019, the Company provided loans to one senior executive officer and one Director. The purpose of the loans was to allow the individuals to exercise stock options and for payment of related taxes upon option exercise. The non-interest bearing loans were on a recourse basis and secured by a promissory note. The Company loaned the senior executive officer $305,840 on April 15, 2019 and the full principal amount was repaid in full on November 12, 2019. The Company loaned the Director $83,640 on April 30, 2019 and the loan was repaid in full on May 27, 2019.

20. CONTINGENCIES

Litigation

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

Notwithstanding the uncertainty as to the outcome, based on the information currently available to it, the Company does not currently believe these matters in aggregate will have a material adverse effect on its consolidated financial position. In 2019, the Company commenced intellectual property litigation. The Company is the plaintiff and is taking action to protect and enforce certain intellectual property rights.