QWEST FUNDS CORP.

Qwest Funds Corp.
Qwest Energy Canadian Resource Class

2013 Semi-Annual Financial Statements

June 30, 2013
(unaudited)

Qwest Funds Corp.
Qwest Energy Canadian Resource Class

Disclosure of Auditor's Review
June 30, 2013

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund. The external auditors will be auditing the annual financial statements of the Fund in accordance with Canadian generally accepted auditing standards.

Qwest Funds Corp.
Qwest Energy Canadian Resource Class
Statements of Net Assets
(Unaudited)

As at		June 30, 2013		(Audited) December 31, 2012
ASSETS				
Cash and cash equivalents	$	4,765,326	$	814,745
Dividends receivable and other assets		23,767		18,039
Due from related parties (note 8)		-		3,105
Investments – at fair value (note 9)*		9,840,624		12,967,803
Prepaid expenses		843		644
		14,630,560		13,804,336
LIABILITIES				
Accounts payable and accrued liabilities		30,984		82,012
Redemption payable		82,132		30,497
Due to related parties (note 8)		4,184		4,067
Management fee payable (notes 7 & 8)		35,284		31,562
		152,584		148,138
Net assets	$	14,477,976	$	13,656,198
Series net assets				
Series A		14,083,396		13,246,240
Series F		394,580		409,958
		14,477,976		13,656,198
Shares outstanding (note 3)				
Series A		8,633,599		6,913,419
Series F		88,391		78,340
Net assets per share (note 2)				
Series A		1.63		1.92
Series F		4.46		5.23
*Investments – at average cost		18,400,598		22,505,521

Approved on behalf of the Board of Directors of Qwest Funds Corp.:

Maurice Levesque
Director

Don Short
Director

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

Qwest Funds Corp.
Qwest Energy Canadian Resource Class
Statements of Operations
(Unaudited)

For the six-month period ended June 30,		2013		2012
Investment income				
Dividend	$	104,490	$	13,500
		104,490		13,500
Expenses				
Management fee (notes 7 & 8)		173,553		312,072
Agency fees		43,559		116,415
Legal		22,335		20,173
Filing		18,227		16,540
Administrative		14,513		13,091
Accounting and audit		7,703		3,691
Custodial fees		6,901		9,881
Independent review committee fees		6,578		9,755
Interest		-		55
		293,369		501,673
Net investment loss		(188,879)		(488,173)
Net realized loss on investment transactions				
Net realized loss on sale of investments		(2,527,655)		(6,765,648)
Commissions (note 6)		(40,477)		(89,765)
		(2,568,132)		(6,855,413)
Change in net unrealized appreciation of investments		977,745		350,905
Decrease in net assets from operations	$	(1,779,266)	$	(6,992,681)
Decrease in net assets from operations – Series A shares		(1,707,064)		(6,945,164)
Decrease in net assets from operations – Series F shares		(72,202)		(47,517)
Decrease in net assets from operations per Series A share		(0.24)		(0.82)
Decrease in net assets from operations per Series F share		(0.79)		(2.72)

Qwest Funds Corp.
Qwest Energy Canadian Resource Class
Statements of Changes in Net Assets
(Unaudited)

For the six-month period ended June 30,	2013	2012
Net assets – Beginning of period		
Series A shares	$ 13,246,240	$ 17,335,817
Series F shares	409,958	80,711
	13,656,198	17,416,528
Distributions to investors		
From net realized gains on investments – Series A shares	-	(1,993,328)
From net realized gains on investments – Series F shares	-	(6,639)
	-	(1,999,967)
Decrease in net assets from operations		
Series A shares	(1,707,064)	(6,945,164)
Series F shares	(72,202)	(47,517)
	(1,779,266)	(6,992,681)
Shareholder transactions (note 3)		
Shares issued on reinvestment of distributions – Series A shares	-	1,973,337
Shares issued on reinvestment of distributions – Series F shares	-	6,639
Shares issued for roll-over from limited partnerships – Series A shares (note 1)	7,169,444	20,464,455
Proceeds from issuance of Series A shares	1,000	73,081
Proceeds from issuance of Series F shares	101,634	168,678
Payment for Series A shares redeemed	(4,626,223)	(13,688,483)
Payment for Series F shares redeemed	(44,811)	-
	2,601,044	8,997,707
Net increase in net assets	821,778	5,059
Net assets – End of period	$ 14,477,976	$ 17,421,587

Qwest Funds Corp.
Qwest Energy Canadian Resource Class
Statements of Cash Flows
(Unaudited)

For the six-month period ended June 30,		2013		2012
Cash flows from operating activities				
Decrease in net assets from operations	$	(1,779,266)	$	(6,992,681)
Adjustments to determine net cash used in operating activities				
Purchase of investment securities		(5,665)		(2,286,165)
Proceeds from sale of investment securities		3,728,303		12,535,436
Increase in non-cash balances related to operations		1,625		40,880
Net realized loss on sale of investments		2,527,655		6,765,648
Change in unrealized appreciation of investments		(977,745)		(350,905)
		3,494,907		9,712,213
Cash flows from financing activities				
Distribution paid in cash		-		(19,991)
Consideration paid for redemption of securities - Series A		(4,626,223)		(13,688,483)
Consideration paid for redemption of securities - Series F		(44,811)		-
Proceeds from issuance of securities – Series A		1,000		73,081
Proceeds from issuance of securities – Series F		101,634		168,678
Cash received on roll-over from limited partnerships (note 1)		5,024,074		3,449,946
		455,674		(10,016,769)
Increase (decrease) in cash and cash equivalents		3,950,581		(304,556)
Cash – Beginning of period		814,745		1,866,340
Cash – End of period	$	4,765,326	$	1,561,784
Supplemental cash flow information:				
Income tax paid	$	-	$	1,498

Non-cash transactions
Exchange of net assets per Series A shares (note1)

Qwest Funds Corp.
Qwest Energy Canadian Resource Class

Statement of Investment Portfolio
As at June 30, 2013
(Unaudited)

Canadian equities	Number of shares	Average cost $	Fair value $	Net assets %
Energy				
Nordegg Resources Inc. [1]	466,800	700,200	868,248	6.00
Strad Energy Services Ltd.	225,000	1,010,925	733,500	5.07
Iona Energy Inc.	1,246,000	569,037	647,920	4.48
Long Run Exploration Ltd.	172,227	809,298	647,574	4.47
Hyperion Exploration Corporation	1,473,700	1,728,360	596,849	4.12
Canelson Drilling Inc.	101,100	474,613	541,896	3.74
Whitecap Resources Inc.	46,218	416,024	500,541	3.46
TriOil Resources Ltd.	231,300	669,118	499,608	3.45
Petrobakken Energy Ltd.	62,774	878,018	491,520	3.39
Transglobe Energy Corp.	67,500	860,625	425,250	2.94
Canyon Services Group Inc.	35,450	379,670	422,564	2.92
Canacol Energy Ltd.	123,872	1,127,239	360,468	2.49
Spyglass Resources Corp.	178,100	623,350	338,390	2.34
TimberRock Energy Corp. [1]	1,227,000	1,019,610	331,290	2.29
Bernum Petroleum Ltd. [1]	250,000	325,000	325,000	2.24
Dolomite Energy Inc. [1]	450,000	218,750	225,000	1.55
Miramar Hydrocarbons Ltd. [1]	2,500,000	400,000	225,000	1.55
Manitok Energy Inc.	74,900	190,995	220,955	1.53
Americas Petrogas Inc.	219,800	244,907	189,028	1.31
Tamarack Valley Energy Ltd.	83,333	195,833	181,666	1.25
Valeura Energy Inc.	413,700	1,031,702	173,754	1.20
DeeThree Exploration Ltd.	22,900	182,742	173,124	1.20
Suroco Energy Inc.	386,800	174,060	162,456	1.12
Artek Exploration Ltd.	40,800	124,848	123,624	0.85
Petrus Resources Ltd. [1]	83,300	124,950	89,131	0.62
Strategic Oil & Gas Ltd.	71,500	80,795	82,225	0.57
Value Creation Inc. [1]	265,969	2,011,273	66,492	0.46
Arpetrol Ltd.	5,925,000	546,567	29,624	0.20
Eagle Ranch Resources Ltd. [1]	420,000	411,600	-	-
Vanguard Exploration Corp. [1]	1,000,000	125,000	-	-
		17,655,109	9,672,697	66.81

[1] Private corporation

Qwest Funds Corp.
Qwest Energy Canadian Resource Class
Statement of Investment Portfolio…*continued*
As at June 30, 2013
(Unaudited)

	Number of warrants	Average cost $	Fair value $	Net assets %
Warrants				
Canadian Overseas Petroleum Ltd. (December 1, 2013, strike price $0.65)	2,000,000	445,500	9,100	0.06
Estrella International Energy Services Ltd. (March 3, 2015, strike price $1.50)	190,000	-	240	-
Lyden Energy Corp. (October 28, 2013, strike price $0.70)	2,000,000	150,000	154,000	1.06
Miramar Hydrocarbons Ltd. [1] (January 21, 2016, strike price $0.50)	2,500,000	-	-	-
Valeura Energy Inc. (February 28, 2016, strike price $5.50)	4,615,000	149,989	4,587	0.03
		745,489	167,927	1.15
Total portfolio of investments		18,400,598	9,840,624	67.96
Cash and cash equivalents			4,765,326	32.91
Other net assets			(127,974)	(0.87)
Net assets			14,477,976	100.00

[1] Private corporation

1. General

Qwest Funds Corp. (the "Corporation") is a mutual fund corporation incorporated under the laws of Canada on March 8, 2006. The authorized capital of the Corporation consists of an unlimited number of Class A shares, Class B shares, and special shares. Qwest Energy Canadian Resource Class (the "Fund") and Qwest Global Tactical Balanced Class (formerly Qwest Inflation-Deflation Trend Allocation Class) are the only two classes of special shares that have been issued by the Corporation, although the Corporation may offer additional classes of special shares in the future.

The Corporation appointed Qwest Investment Fund Management Ltd. (the "Manager") as the manager of the Fund. The Manager is responsible for providing or arranging for the provision of administrative services required by the Fund and also serves as a portfolio adviser to the Fund.

The fundamental investment objective of the Fund is to provide long-term capital appreciation by investing primarily in equity securities of Canadian companies involved in the energy and natural resource sector.

Each year, the Manager offers for sale a limited number of units in one or more limited partnerships ("Partnerships"). The objective of the Partnerships is to invest in the flow-through securities of resource companies. Investors in the Partnerships are entitled to claim certain deductions and credits for income tax purposes. In the third year following their establishment, the Partnerships transfer net assets to the Fund at fair value determined under the Partnerships' prospectus and the Partnership is dissolved ("Mutual Fund Rollover Transaction"). The Partnerships' investors receive shares in the Fund in exchange for their Partnership units on a pro-rata basis on the date of transfer.

The Fund issued shares in exchange for net assets transferred to the Fund during the period ended June 30, 2013 and year ended December 31, 2012:

Six-month period ended June 30, 2013		**Net assets Received $**	**Shares issued**
Date	**Partnership**		
May 14, 2013	Qwest Energy 2011 Flow-Through Limited Partnership	3,432,710	2,104,537
May 14, 2013	Qwest Energy 2011-II Flow-Through Limited Partnership	3,736,734	2,290,929
		7,169,444	4,395,466

Year ended December 31, 2012		**Net assets Received $**	**Shares issued**
Date	**Partnership**		
January 24, 2012	Qwest Energy 2010 Flow-Through Limited Partnership	13,111,350	4,067,049
April 17, 2012	Qwest Energy 2010-II Flow-Through Limited Partnership	7,353,105	2,779,371
		20,464,455	6,846,420

2. Summary of significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP'). The following is a summary of significant accounting policies used by the Fund:

Investments in publicly traded equity securities

The fair value of equity securities that are traded in an active market is measured using the closing bid price at the period-end date. When current bid prices or quotations are not readily available, valuations are established based upon a valuation technique in order to determine what the fair value would be in an arm's length transaction motivated by normal business considerations. These may include use of the most recent publicly traded price or a price established by the Manager in accordance with its valuation policy.

The amounts at which publicly traded investments could be disposed of currently may differ from carrying value based on closing bid prices, as the value at which significant ownership positions are sold is often different than the quoted price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

Investments in privately held equity securities

For financial instruments not traded in an active market, the Fund establishes fair value by using a valuation technique in order to estimate what the transaction price would have been on the measurement date in a third party arm's length transaction motivated by normal business considerations. The initial transaction price is considered to be fair value on the date of the purchase transaction.

The Manager emphasizes the principle of using a reasonable estimable exit price in prevailing market conditions at the period-end date. The Manager places significant emphasis on the valuation process and controls that are in place throughout the period and seeks to incorporate all the factors that market participants would reasonably consider in estimating the fair value of private investments. The Manager periodically calibrates prices to take account of current market prices, where a valuation takes account of probable and proved reserves or significant market transaction events. Where a significant financing is taken into account, the Manager considers the transaction size relative to the overall investment and the potential motivation of the parties involved. The Manager seeks to make maximum use of market prices and other available information such as reserve reports in its estimate of fair value. In applying a discounted cash flow or use of industry benchmarks approach, the Manager makes maximum use of third party information in determining likely cash flows and market discount rates. Given the inherent complexity in establishing fair value, the Manager applies two valuation techniques, where possible, to the valuation of these investments in order to determine an appropriate overall estimated fair value. Management makes an assessment of estimated fair value at each reporting date. In applying any valuation technique, the greatest emphasis is placed on the most observable and objective information available with lesser emphasis placed on subjective or management-determined inputs.

The resulting values for non-publicly traded investments may differ from values that would be determined had an active market existed. In addition, the amounts at which the Fund's privately held investments could be disposed of currently may differ from the carrying values assigned, and the differences could be material.

2. Summary of significant Accounting Policies (continued)

Warrants

Warrants are recorded at their estimated fair value using a recognized valuation model. For private companies, management makes maximum use of publicly available inputs, such as comparable companies with appropriate adjustments to reflect the individual company circumstances, to establish volatility and other inputs to the model.

Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits with original maturities of three months or less and are held with a Canadian chartered bank.

Revenue and expense recognition

Dividend income is recognized at the ex-dividend date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statement of operations and calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains and losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. Interest is recorded on an accrual basis. All costs directly attributable to operating activities are expensed as incurred.

Purchases and sales of securities are accounted for on a trade date basis.

Transaction costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments are recorded as an expense in the statement of operations.

Foreign currency translation

The market value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at 12:00pm Eastern Standard Time (the “noon rate”) on each valuation day. If the rate changes by more than 50 basis points between the noon rate and the exchange rate prevailing at the close of the valuation day then the exchange rate at the close of the valuation day is used. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions.

Increase (decrease) in net assets from operations per share

Increase (decrease) in net assets from operations per share is determined by dividing the increase (decrease) in net assets from operations by the weighted average number of shares outstanding during the reporting period.

2. Summary of significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from those reported and the differences could be material. Significant areas involving the use of estimates include determining the estimated fair value of private investments, illiquid securities and the fair value of warrants. In calculating estimated fair value, the Manager makes maximum use of publicly available market-based inputs.

Transition to International Financial Reporting Standards (IFRS)

In December 2011, the Accounting Standards Board (AcSB) extended its deferral of the mandatory adoption date of IFRS for Investment Companies applying Accounting Guideline 18, Investment Companies (AcG-18) to years beginning on or after January 1, 2014. As a result, the Fund will begin reporting under IFRS in its financial statements for the fiscal year beginning January 1, 2014.

As at June 30, 2013, the Manager believes that the major areas of difference between the Fund's current accounting policies and those expected to apply under IFRS have been identified, including the:

- classification of redeemable instruments issued by the Fund,
- fair value measurement, and
- classification and measurement of the Fund's investments.

The Manager is in the process of developing the Fund's approach to financial statement presentation and disclosure related to these items, as well as finalizing any quantitative impacts upon transition. The Manager does not currently expect that the transition to IFRS will have a significant impact on the Fund's net asset value per unit. A summary of the impact associated with each of the differences noted is provided below.

Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounts for its redeemable units as equity. Under IFRS, IAS 32, Financial Instruments: Presentation (IAS 32) requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset be classified as equity only if certain criteria are met, and otherwise be classified as financial liability. The Manager has classified the Fund's units as financial liabilities effective January 1, 2013 in accordance with the requirements of IAS 32.

2. Summary of significant Accounting Policies (continued)

Transition to International Financial Reporting Standards (IFRS) (continued)

Fair value measurement

Under Canadian GAAP, the Fund measures the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement (Section 3855), which requires the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. This treatment currently results in a difference between the Fund's net assets and its net asset value (NAV) used for transactions with unitholders, which is generally determined based on closing prices for securities traded in exchange markets.

In May 2011, the International Accounting Standards Board (IASB) issued IFRS 13, Fair Value Measurement (IFRS 13), which provides guidance on how fair value should be measured where such measurement is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires fair value to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, adoption of IFRS may eliminate the net assets to NAV adjustment based on investments being valued at a price between the bid-ask spread.

Classification and measurement of the Fund's investments

Under Canadian GAAP, the Fund was considered to be an Investment Company in accordance with AcG-18. In accordance with AcG-18, the Fund records all of its investments at fair value with changes in fair value recorded in net income as they arise. Under IFRS, investments which are financial instruments are measured either in accordance with IAS 39, Financial Instruments: Recognition and Measurement (IAS 39), or IFRS 9, Financial Instruments (IFRS 9) if early adopted. The Fund does not currently intend to early adopt IFRS 9, which is currently expected to apply to the Fund on January 1, 2015.

In accordance with IAS 39, investments are classified as held-to-maturity, loans or receivables, available for sale (AFS) or at fair value through profit or loss (FVTPL), depending on the characteristics of the investment and the Fund's intention for holding it. Held-to-maturity investments and loans and receivables are measured at amortized cost, whereas AFS and FVTPL investments are measured at fair value through other comprehensive income and through net income, respectively. FVTPL includes investments which are held for trading, as well as those which are designated by the Fund as at FVTPL upon initial recognition. The Manager is currently assessing whether any of the Fund's investments will be classified in a category other than FVTPL upon transition to IFRS.

2. Summary of significant Accounting Policies (continued)

Transition to International Financial Reporting Standards (IFRS) (continued)

Income taxes (applicable to corporate class funds)

Under Canadian GAAP, the Fund has not been required to record income taxes which it was reasonably certain to recover or avoid upon distribution to its shareholders. The applicable guidance under IAS 12, Income Taxes (IAS 12) is different and as a result the Fund may be required to record income taxes, including deferred taxes on temporary differences, using a rate which would apply to undistributed profits. The Manager is currently assessing whether this will result in a change in income taxes recognized upon transition to IFRS. In addition, under IAS 12 certain withholding taxes will be required to be reclassified to income tax expense.

Reconciliation of net asset values

For financial statement purposes, the Fund follows Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, which requires the use of bid prices for securities owned and traded in an active market, to determine the fair value of its investments. For trading purposes, the Fund determines the net asset value of its investments in accordance with National Instrument 81-106 ("NI 81-106"), which values the listed securities at their last trade price. A reconciliation of the net asset calculated according to Section 3855 and net asset value per NI 81-106 is as follows:

	Per Series A share June 30, 2013 $	Per Series A share December 31, 2012 $
Net asset value per NI 81-106	1.57	1.93
Difference resulting from Section 3855	0.06	(0.01)
Net assets per share Section 3855	1.63	1.92

	Per Series F share June 30, 2013 $	Per Series F share December 31, 2012 $
Net asset value per NI 81-106	4.31	5.28
Difference resulting from Section 3855	0.15	(0.05)
Net assets per share Section 3855	4.46	5.23

3. Shareholder transactions

The Fund is divided into Series A, F and O, and the number of shares of each series that may be issued is unlimited. Currently, only Series A and F shares of the Fund are offered in all provinces and territories in Canada. Shares may be redeemed at their net asset value per share, on any valuation day. If the shares are redeemed or switched within 90 days of purchase, the shareholder may be charged a short-term trading fee of 2% of the value of the shares redeemed.

The number of Series A and F shares issued and redeemed at net asset value is summarized as follows:

Series A shares	**For the six-month period ended June 30, 2013**	**For the year ended December 31, 2012**
Shares issued and outstanding at beginning of period	6,913,419	5,896,628
Shares issued on reinvestment of distributions	-	639,790
Shares issued during the period for rollover from limited partnerships	4,395,466	6,846,420
Shares issued during the period	515	27,872
Shares redeemed during the period	(2,675,801)	(6,497,291)
Shares issued and outstanding at end of period	8,633,599	6,913,419

Series F shares	**For the six-month period ended June 30, 2013**	**For the year ended December 31, 2012**
Shares issued and outstanding at beginning of period	78,340	10,223
Shares issued on reinvestment of distributions	-	1,111
Shares issued during the period	19,241	74,752
Shares redeemed during the period	(9,190)	(7,746)
Shares issued and outstanding at end of period	88,391	78,340

4. Distributions

The Corporation may pay annually to shareholders ordinary dividends and capital gains dividends. Ordinary dividends will generally be paid in December and capital gains dividends will generally be paid in February. Dividends may be paid at other times determined by the Manager.

5. Income Taxes

The Corporation qualifies as a mutual fund corporation as defined in the *Income Tax Act (Canada)*. A mutual fund corporation is subject to a special 33-1/3% tax on taxable dividends received from corporations resident in Canada and to tax at normal corporate rates on other income and net taxable realized capital gains for the year. The special 33-1/3% tax is refundable at the rate of $1 for every $3 of ordinary dividends paid. All the tax on net taxable realized capital gains is refundable on a formula basis when shares are redeemed or capital gains dividends are paid.

Temporary differences between the carrying value of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. When the fair value of a security in the Corporation exceeds its cost base, a future income tax liability arises. When the cost base of a security exceeds its fair value, a future income tax asset exists but a full valuation allowance is offset against the future income tax asset when the expected realization of the future income tax asset does not meet the more likely than not realization test. The general income tax rules associated with a public corporation also apply to a mutual fund corporation with the exception that income taxes payable on capital gains are refundable on a formula basis when shares are redeemed or capitals gains dividends are paid.

The Corporation has non-capital losses of approximately $1,016,685 available for utilization against taxable income in future years. These losses expire in 2032. There were capital losses available at December 31, 2012 of approximately $4,556,500.

6. Expenses

The Fund is responsible for all charges and expenses incurred in connection with its operations, including regulatory, printing, legal and audit expenses.

The total brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2013, is $40,477 (June 30, 2012 - $89,765). For the period ended June 30, 2013 and June 30, 2012, there were no soft dollar amounts paid.

7. Management fee

The management fee is calculated at 2.5% per annum of the daily net asset value of Series A shares and 1.5% per annum of the net asset value of Series F shares, paid monthly. The fees are payable to the Manager (see note 1).

8. Related party balances and transactions

The Manager has retained Heritage Bancorp Ltd. ("Heritage"), a company related to the Manager by common ownership and directors, to perform certain administrative functions on behalf of the Manager.

Balances and transactions are as follows:

For the six-month period ended June 30,	**2013** **$**	**2012** **$**
Heritage Bancorp Ltd.		
Reimbursement for the Fund's expenses paid by Heritage	10,655	12,085
Qwest Funds Corp., Qwest Global Tactical Balanced Class ("GTB")		
Payment for GTB expenses paid by the Fund	3,632	7,486
Qwest Investment Fund Management Ltd. ("QIFM")		
Management fee	173,553	312,072
Reimbursement for the Fund's expenses paid by QIFM	2,000	-
Qwest Investment Management Corp. ("QIM")		
Reimbursement for the Fund's expenses paid by QIM	149	-

As of	**June 30,** **2013** **$**	**December 31,** **2012** **$**
Qwest Investment Fund Management Ltd.		
Management fee payable	35,284	31,562
Accounts receivable	-	3,105
Accounts payable	1,464	-
Heritage Bancorp Ltd.		
Accounts payable	2,699	4,067
Qwest Investment Management Corp.		
Accounts payable	21	-

All amounts payable are due on demand and non-interest bearing.

9. Transfer agency fee

The Fund has engaged the services of SGGG Fund Services Inc., from October 19, 2012 onwards (previously Citigroup Fund Services Canada Inc.) to provide transfer agent services.

10. Fair value measurement

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2013 and December 31, 2012. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

	Financial assets at fair value at June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Equities	7,542,536	-	2,130,161	9,672,697
Warrants	-	-	167,927	167,927
	7,542,536	-	2,298,088	9,840,624

	Financial assets at fair value at December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Equities	10,358,893	28,158	2,153,442	12,540,493
Warrants	-	-	427,310	427,310
	10,358,893	28,158	2,580,752	12,967,803

The following table reconciles the Fund's Level 3 fair value measurements from December 31, 2012 to June 30, 2013:

	Equity	**Warrants**
	$	**$**
Balance as at December 31, 2012	2,153,442	427,310
Purchases	987,650	-
Sales	(1,050,000)	-
Net gain (loss)	39,069	(259,383)
Balance as at June 30, 2013	2,130,161	167,927

10. Fair value measurement (continued)

The following table reconciles the Fund's Level 3 fair value measurements from December 31, 2011 to December 31, 2012:

	Equity $	Warrants $
Balance as at December 31, 2011	1,329,331	750,426
Purchases	915,625	-
Sales	(293,750)	-
Warrants expired	-	(25,453)
Net gain (loss)	202,236	(297,663)
Balance as at December 31, 2012	2,153,442	427,310

There were no transfers into or out of Level 3 for the period ended June 30, 2013 and for the year ended December 31, 2012.

The Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments of $2,298,088 as of June 30, 2013 (December 31, 2012 - $2,580,752). The unobservable inputs used in the valuation of these financial instruments primarily include key variables, current market conditions and recent financings by the company, if any. These securities are affected by market activity in their relevant sectors and therefore fluctuate similarly. If relevant market-related inputs increased or decreased by 5%, with all other variables remaining constant, net assets would have possibly increased or decreased by approximately $115,000 (December 31, 2012 - $129,000).

11. Financial instruments risk management

The Fund's activities expose it to a variety of financial instrument risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

The Fund's overall risk management strategy focuses on the unpredictability of performance of early stage public and private resource investments and seeks to minimize potential adverse effects on the Fund's financial performance. The Fund uses diversification to moderate risk exposures associated with a concentration of investments.

The Fund's investment objective is to provide shareholders of the Fund with an investment in a diversified portfolio of shares of resource issuers with a view to achieving capital appreciation and profits. The principal business of the resource issuers are mineral, oil or gas exploration, development or production, and projects in renewable energy and the development of energy efficiency technologies.

The Fund may take small positions in other securities, such as convertible securities, high-yield debt securities and derivative instruments, and invest in foreign resource companies listed on major stock exchanges. The Fund will use derivatives for hedging purposes only. The Fund may hold a portion of its assets in cash or short-term money market securities while seeking investment opportunities or for defensive purposes to reflect adverse market, economic, political or other conditions. The Fund acquires a substantial portion of assets from certain limited partnerships organized by companies that are related to the Manager or former limited partners of such limited partnerships. These assets are transferred to the Fund on a tax-deferred basis in exchange for shares of the Fund.

11. Financial instruments risk management (continued)

Proceeds from the sale of flow-through shares may be invested in other flow-through shares, in equity securities of senior listed issuers, in bonds and debentures issued by senior listed issuers and government issuers or in index-based securities, or may be used to exercise warrants.

Market risk

a) Price risk

The Fund's investments are exposed to market price risk due to changing market conditions for equities as well as specific industry changes in the energy sector such as changes in commodity prices and the level of market demand as well as any changes to the tax environment in which the investee entities operate. The privately held investments may be early stage investments with unproven mineral, oil or gas reserves. All investments in equity securities have inherent risk of a loss of capital. The maximum risk resulting from financial instrument investments is determined by the fair value of the financial instruments. The Manager seeks to manage market risks by careful selection of securities prior to making an investment in an early stage company and by regular ongoing monitoring of the investment performance of the individual investee companies. The Manager also sets thresholds on individual investments to mitigate the risk of exposure to any one investment. The Fund's overall market positions are monitored on a daily basis by the Manager and are reviewed on a quarterly basis by the board of directors.

At June 30, 2013, the Fund's market risk is impacted directly by changes in equity prices and indirectly by changes in oil and gas and other commodity prices. The immediate impact on equities of a 5% increase or decrease in the fair value of investments assuming all other variables remain constant would be approximately $492,000 (June 30, 2012 - $802,000).

b) Interest rate risk

The substantial majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

11. Financial instruments risk management (continued)

Market risk (continued)

The tables below summarize the Fund's exposure to interest rate risks at June 30, 2013 and December 31, 2012. It includes the Fund's assets and liabilities at carrying values, categorized by the earlier of contractual re-pricing or maturity dates.

	Net Assets at fair value at June 30, 2013		
	Due in less than 3 months $	Non-interest bearing $	Total $
Cash and cash equivalents	4,765,326	-	4,765,326
Dividends receivable and other assets	-	23,767	23,767
Investments (note 2)	-	9,840,624	9,840,624
Prepaid expenses	-	843	843
Liabilities	-	(152,584)	(152,584)
	4,765,326	9,712,650	14,477,976

	Net Assets at fair value at December 31, 2012		
	Due in less than 3 months $	Non-interest bearing $	Total $
Cash and cash equivalents	814,745	-	814,745
Dividends receivable	-	18,039	18,039
Due from related parties (note 8)	-	3,105	3,105
Investments (note 2)	-	12,967,803	12,967,803
Prepaid expenses	-	644	644
Liabilities	-	(148,138)	(148,138)
	814,745	12,841,453	13,656,198

The Fund's exposure to interest rate changes results from the difference between assets and liabilities and their respective maturities or interest rate repricing dates. The Fund estimates that an immediate and sustained 100 basis point change in interest rates would impact net interest income by approximately $48,000 (December 31, 2012 - $8,000).

c) Currency risk

The monetary financial assets and liabilities of the Fund are all denominated in Canadian dollars. Consequently, the Fund has no significant direct exposure to currency risk.

11. Financial instruments risk management (continued)

Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

When the Fund trades in listed or unlisted securities that are settled upon delivery using approved brokers, the risk of default is considered minimal since delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The Fund only transacts with reputable brokers with a high credit rating.

The Manager monitors the Fund's credit position regularly, and the board of directors reviews it on a periodic basis. The Fund has not identified any past due assets or receivables as at June 30, 2013 or December 31, 2012.

Concentration risk

Sector/subgroup	At June 30, 2013 % of net assets	At December 31, 2012 % of net assets
Energy	67.96	94.14
Mining	-	0.82
Cash	32.91	5.97
Net Liabilities	(0.87)	(0.93)
	100.00	100.00

Liquidity risk

The Fund invests in early stage energy resource companies which may be publicly listed securities but thinly traded or in privately held companies. The resulting values for such securities may differ from values that would be realized had a ready market existed.

As the Fund invests in investments that are not traded in an active market or are thinly traded, the Fund may be exposed to liquidity risk. Investments in privately held investments may not be able to be liquidated quickly at an amount close to their fair value to meet the Fund's liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular investee entity. As at June 30, 2013, approximately 15% (December 31, 2012 – 16%) of the Fund's net assets were in private company investments. Although the Fund manages its assets to cover any redemption risks, there is a risk that the Fund's investment in private company investments could make it difficult for the Fund to meet redemption requests. Securities purchased by the Fund may be subject to resale restrictions such as hold periods. During periods when resale restrictions apply, the Fund may dispose of such securities only pursuant to certain statutory exemptions.

As the Fund is open to daily redemptions, management manages liquidity risk using a variety of methods which include placing restrictions on the amounts of privately held securities which may be held by the Fund.

12. Corporation capital management

Shares of the Fund issued and outstanding represent the capital of the Fund. The Manager manages the capital of the Fund in accordance with the investment objectives of the Fund. There are no externally imposed restrictions on the Fund’s capital.