

QE Funds Corp.
Qwest Energy Canadian Resource Class

2009 Semi-Annual Financial Statements

June 30, 2009
(unaudited)

QE Funds Corp.
Qwest Energy Canadian Resource Class

Disclosure of Auditor's Review
June 30, 2009

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.

QE Funds Corp.
Qwest Energy Canadian Resource Class

Statement of Net Assets
(Unaudited)

As at	June 30, 2009	(Audited) December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 4,115,582	\$ 1,093,814
Receivable for securities sold	3,181,137	500,304
Prepaid expenses	606	1,213
Investments – at fair value (note 2)	30,074,880	27,541,159
	37,372,205	29,136,490
LIABILITIES		
Accounts payable and accrued liabilities	25,016	70,908
Redemption payable	102,293	14,834
Income tax payable (note 5)	-	14,428
Due to related parties (note 8)	17,065	24,694
Management fee payable (notes 7 & 8)	83,166	243,992
	227,540	368,856
Net assets	\$ 37,144,665	\$ 28,767,634
Number of Series A shares outstanding (note 3)	10,467,555	6,699,193
Net assets per Series A share (note 9)	\$ 3.55	\$ 4.29

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

(signed) “Stephen P. McCoach”

Stephen P. McCoach
Director

(signed) “Maurice Levesque”

Maurice Levesque
Director

See notes to accompanying financial statements.

QE Funds Corp.
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Statement of Operations
(Unaudited)

For the six-month period ended June 30,	2009	2008
Investment income		
Dividend	\$ 43,759	\$ 6,839
Other	178,330	30,600
Interest	18,431	5,400
	240,520	42,839
Expenses		
Management fee (notes 7 & 8)	386,052	448,027
Agency fees	127,226	85,881
Accounting and audit	43,084	25,815
Legal	35,185	27,446
Administrative	24,271	10,138
Filing	16,358	12,634
Custodial fees	7,705	7,481
	639,881	617,422
Net investment loss	(399,361)	(574,583)
Net realized loss on investment transactions		
Net realized loss on sale of investments	(19,948,088)	(477,735)
Commissions (note 6)	(94,490)	(146,236)
	(20,042,578)	(623,971)
Net change in unrealized appreciation (depreciation) of investments	20,476,210	6,483,881
Income tax (note 5)	(12)	(883)
Increase (decrease) in net assets from operations	\$ 34,259	\$ 5,284,444
Average number of Series A shares outstanding	8,153,991	3,798,497
Increase (decrease) in net assets from operations per Series A share	\$ 0.00	\$ 1.39

See notes to accompanying financial statements.

QE Funds Corp.
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Statement of Changes in Net Assets
(Unaudited)

For the six-month period ended June 30,	2009	2008
Net assets – Beginning of period	\$ 28,767,634	\$ 31,175,178
Distributions to investors		
From net investment income	-	-
From net realized gains on investments	(3,700,102)	-
	(3,700,102)	-
Increase (decrease) in net assets from operations	34,259	5,284,444
Investor transactions		
Shares issued on reinvestment of distributions	3,695,729	-
Securities issued for roll-over from limited partnerships (note 1)	18,655,435	76,130,664
Payment for shares redeemed	(10,308,290)	(7,486,427)
	12,042,874	68,644,237
Net assets – End of period	\$ 37,144,665	\$ 105,103,859

See notes to accompanying financial statements.

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Statement of Cash Flows
(Unaudited)

For the six-month period ended June 30,	2009	2008
Cash flows from operating activities		
Increase (decrease) in net assets from operations	\$ 34,259	\$ 5,284,444
Adjustments to determine net cash used in operating activities		
Purchase of investment securities	(6,914,995)	(11,102,792)
Proceeds from sale of investment securities	15,461,277	23,239,351
Increase (decrease) in non-cash balances related to operations	(2,821,542)	29,761
Net realized loss on sale of investments	19,948,088	477,735
Change in unrealized (appreciation) depreciation of investments	(20,476,210)	(6,483,881)
	5,230,877	11,444,618
Cash flows from financing activities		
Capital gains dividends paid	(4,373)	-
Consideration paid for redemption of Class A Shares	(10,308,290)	(7,486,427)
Cash received on roll-over from limited partnership (note 1)	8,103,554	9,981,036
	(2,209,109)	2,494,609
Increase in cash and cash equivalents	3,021,768	13,939,227
Cash – Beginning of period	1,093,814	2,140,654
Cash – End of period	\$ 4,115,582	\$ 16,079,881
Supplemental cash flow information:		
Income tax paid	\$ 14,440	\$ 883

See notes to accompanying financial statements.

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Statement of Investment Portfolio

As at June 30, 2009

(Unaudited)

Portfolio of Investments	Number of shares / warrants	Cost \$	Fair value \$	Net assets %
Canadian Equities				
Energy				
Celtic Exploration Ltd.	239,700	4,568,680	3,655,424	9.84
Tristar Oil & Gas Limited	323,531	4,031,510	3,549,135	9.55
Baytex Energy Trust	120,000	3,571,620	2,342,400	6.31
Gran Tierra Energy Inc.	540,583	1,789,916	2,183,955	5.88
Value Creation Inc. ⁽¹⁾	265,969	2,011,273	1,728,799	4.65
Crescent Point Energy Trust	50,000	1,398,032	1,714,000	4.61
NuVista Energy Ltd.	155,492	2,499,470	1,592,238	4.29
Sabretooth Energy Ltd.	750,000	645,000	1,312,500	3.53
Vermilion Energy Trust	45,000	1,234,114	1,305,900	3.52
Angle Energy Inc.	304,800	1,307,592	1,298,448	3.50
Talisman Energy Inc.	55,000	998,344	919,050	2.47
Serrano Energy Ltd. ⁽¹⁾	287,138	838,443	838,443	2.26
Cirrus Energy Corp.	300,000	608,391	750,000	2.02
Canadian Phoenix Resources Corp.	18,672,446	656,145	466,811	1.26
TimberRock Energy Corp. ⁽¹⁾	407,000	439,560	345,950	0.93
HFG Holdings Inc.	900,000	112,500	225,000	0.61
Delavaco Energy Inc. ⁽¹⁾	700,000	1,400,000	224,000	0.60
Great Plains Exploration Inc.	1,000,000	290,000	210,000	0.57
Dorado Energy Inc. ⁽¹⁾	350,000	388,500	210,000	0.57
Eagle Ranch Resources Ltd. ⁽¹⁾	420,000	411,600	155,400	0.42
Pienza Petroleum Ltd. ⁽¹⁾	164,700	245,403	153,171	0.41
Compass Petroleum Ltd. ⁽¹⁾	100,000	612,500	135,000	0.36
Forent Energy Ltd.	886,111	166,146	132,917	0.36
Nexstar Energy Ltd.	2,008,800	150,660	110,484	0.30
Wilderness Energy Corp. ⁽¹⁾	250,000	375,000	20,000	0.05
First West Petroleum Inc. ⁽¹⁾	500,000	550,000	-	-
Vanguard Exploration Corp. ⁽¹⁾	1,000,000	125,000	-	-
Vanquish Oil & Gas Corp. ⁽¹⁾	444,444	-	-	-
		31,425,399	25,579,025	68.87
Mining				
Agnico-Eagle Mines Ltd.	22,000	995,220	1,347,940	3.63
Goldcorp Inc.	18,000	649,849	727,740	1.96
Inmet Mining Corp.	15,000	667,500	640,050	1.72
Kinross Gold Corp.	20,000	384,000	422,000	1.14
Barrick Gold Corp.	10,000	368,938	390,300	1.05
UEX Corporation	250,000	402,500	320,000	0.86
Forum Uranium Corp.	1,055,000	390,350	89,675	0.24
		3,858,357	3,937,705	10.60
Total Equity		35,283,756	29,516,730	79.47

⁽¹⁾ private corporation

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Statement of Investment Portfolio

As at June 30, 2008

(Unaudited)

Portfolio of Investments	Number of shares / warrants	Cost \$	Fair value \$	Net assets %
Debentures				
Nexstar Energy Inc. – convertible debentures (November 21, 2010, 8% per annum)	380	372,400	497,333	1.34
Warrants				
Advanced Exploration Inc. (October 16, 2009, strike price \$2.00)	137,500	-	43,238	0.12
Advanced Exploration Inc. (November 16, 2009, strike price \$3.88)	85,000	-	8,324	0.02
Bridge Resources Corp. (January 10, 2010, strike price \$1.35)	325,000	129,197	91	-
Full Metal Minerals Ltd. (October 25, 2009, strike price \$3.00)	85,000	41,567	-	-
Labrador Iron Mines Holdings Limited (December 3, 2009, strike price \$5.00)	36,500	29,200	548	-
Mega Uranium Ltd. (February 22, 2012, strike price \$7.90)	20,000	-	8,588	0.02
Sage Gold Inc. (November 9, 2009, strike price \$0.75)	500,000	-	-	-
U.S. Silver Corporation (December 5, 2009, strike price \$1.25)	200,000	-	28	-
		199,964	60,817	0.16
Total portfolio of investments		35,856,120	30,074,880	80.97
Cash and cash equivalents			4,115,582	11.08
Other net assets			2,954,203	7.95
Net assets			37,144,665	100.00

⁽¹⁾ private corporation

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Notes to Financial Statements

June 30, 2009

(Unaudited)

1. General

QE 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") is the only class of special shares that have been issued by the Corporation, although the Corporation may offer additional classes of special shares in the future.

The manager of the Fund is Qwest Investment Management Corp. (the "Manager"). It is responsible for providing or arranging for the provision of administrative services required by the Fund. The manager has retained Qwest Investment Fund Management Ltd. as portfolio adviser (the "Portfolio Adviser").

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 values determined under the Partnerships' prospectus and the Partnership is dissolved. The Partnership investors receive shares in the Corporation in exchange for their Partnership units on a pro rata basis on the date of transfer.

The Corporation received the following subscriptions in exchange for net assets transferred on May 6, 2009:

Partnership	Net assets Received \$	Shares issued
Qwest Energy 2007 Flow-Through Limited Partnership	9,735,966	2,883,022
Qwest Energy 2007-II Flow-Through Limited Partnership	8,919,469	2,641,240
	18,655,435	5,524,262

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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 Corporation:

Investments in publicly traded equity securities

The fair value of equity securities which 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 arms 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 Corporation 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 which 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.

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2. Summary of significant Accounting Policies (Continued)

Investments in privately held equity securities

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

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 the close of each valuation day. 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.

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Notes to Financial Statements
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2. Significant Accounting Policies (Continued)

Increase (Decrease) in net assets from operations per Series A share

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

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 and the fair value of warrants. In calculating estimated fair value, the Manager makes maximum use of publicly available market-based inputs.

Future Accounting Changes

The Canadian Accounting Standards Board has confirmed that the *International Financial Reporting Standards* ("IFRS") will replace Canadian GAAP for the fiscal periods beginning or after January 1, 2011 for publicly accountable enterprises. The Corporation's transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Corporation for the year ending December 31, 2010. Management has established a plan to adopt IFRS in 2011 and has assigned resources to implement the plan. While the Corporation has begun assessing the impact of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Reconciliation of net asset value (NAV) note

The Corporation determines the fair value of its investments for purposes of preparing financial statements by following the recommendations contained in CICA Handbook Section 3855, which as described above, requires the use of bid prices for securities owned and traded in an active market. Pursuant to *National Instrument 81-106*, an investment fund must also follow Canadian GAAP when determining its net asset value for all other purposes. The Canadian Securities Administrators ("CSA") interim relief from complying with Section 3855, for the purposes of calculating and reporting of net asset value for other than GAAP NAV (referred to as "NAV") was incorporated into the amended *National Instrument 81-106 Investment Funds: Continuous Disclosure* issued in September 2008. Accordingly, the net asset value computed by the Corporation for all other purposes follows its historic methods of valuing listed securities at their last traded price. A reconciliation as at June 30, 2009 between the NAV and the net asset per Series A share calculated in accordance with Section 3855 of an investment fund ("GAAP NAV") has been provided in note 9.

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3. Share 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 shares of the Fund are offered in all provinces and territories in Canada. Additional Series A shares are currently only available on exchange to holders of partnership units of Partnerships related to the Manager on completion of a Mutual Fund Rollover Transaction which takes place at the dissolution of Partnerships (see note 1). 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 shares issued and redeemed at net asset value is summarized as follows:

	For the six- month period ended June 30, 2009	For the year ended December 31, 2008
Share issued and outstanding at beginning of period	6,699,193	3,808,149
Share issued for capital gain dividend reinvested during the period	1,105,645	-
Shares issued during the period	5,524,263	7,491,695
Shares redeemed during the period	(2,861,546)	(4,600,651)
Shares issued and outstanding at end of period	10,467,555	6,699,193

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.

On February 26, 2009, the Corporation paid a Capital Gains Dividend of \$3,700,102 to all Series A Shareholders of record as of February 24, 2009.

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(Unaudited)

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 or capital gains are refundable on a formula basis when shares are redeemed or capital gains dividends are paid.

6. Expenses

The Corporation 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, 2009, is \$94,490 (June 30, 2008 - \$146,236). For the period ended June 30, 2009 (June 30, 2008 - \$nil), 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 the Corporation, paid monthly. The fees are payable to Qwest Investment Management Corp.

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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,	2009	2008
	\$	\$
Heritage Bancorp Ltd.		
Reimbursement for the Corporation's expenses paid by Heritage	4,899	43
Qwest Investment Management Corp.		
Management fee	386,052	448,027
Reimbursement of Manager expenses	131,648	92,162
	June 30,	December 31,
As of	2009	2008
	\$	\$
Qwest Investment Management Corp.		
Management fee payable	83,166	243,992
Accounts payable	17,065	24,694

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

Value Creation Inc. transaction

On May 28, 2008, the Corporation sold a total of 176,800 shares of Value Creation Inc., ("VCI"), a Canadian private oil and gas company, to Qwest Energy 2007 Flow-Through Limited Partnership (85,660 shares), (the "2007 Partnership"), and to Qwest Energy 2007-II Flow-Through Limited Partnership (91,140 shares), (the "2007-II Partnership"), (collectively, the "2007 Partnerships"). The Corporation is related to the 2007 Partnerships through common ownership and directors of each of the general partners, Qwest Energy 2007 Flow-Through Management Corp. and to Qwest Energy 2007-II Flow-Through Management Corp., respectively, (collectively, the "General Partners"), and through Qwest Investment Fund Management Ltd., ("QIFM"). QIFM is a Canadian investment counsel and fund management firm which provides investment advisory services to both the Corporation and to the General Partners of the 2007 Partnerships and is related through common ownership and directors. The VCI shares were sold to the 2007 Partnerships at a fair market value of \$7.25 per share for total consideration of \$1,281,800.

The sale of the VCI shares to both the 2007 Partnership and the 2007-II Partnership, (collectively, the "VCI Trades"), were reviewed and authorized by the Independent Review Committee (the "IRC"), an independent oversight committee established for the benefit of the Corporation under applicable securities regulations to ensure proper oversight with respect to any potential conflicts of interest, including ensuring that all trades between any related party funds are transacted at prices considered fair and reasonable to both the Corporation and the 2007 Partnerships.

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8. Related party balances and transactions (Continued)

Value Creation Inc. transaction (Continued)

In February 2009 it was determined that the VCI Trades were not permissible under the terms of the limited partnership agreements governing each of Qwest Energy 2007 Flow-Through Limited Partnership and Qwest Energy 2007-II Flow-Through Limited Partnership (collectively, the "2007 Partnerships"). Therefore, the IRC met on February 4, 2009 to review the transactions and authorized the VCI Trades to be reversed at a fair market value of \$7.25 per share. The VCI Trades were unwound on February 9, 2009 and, in total, 160,769 VCI shares were sold back to the Corporation from the 2007 Partnerships for cash proceeds of \$1,165,575. A \$44,406 gain previously recognized by the 2007-II Partnership on a partial disposition of 16,031 VCI shares in November 2008 was reversed and credited as a gain to the Corporation such that the VCI Trades had never taken place. The reversal transactions were not material to the Trading NAV or GAAP NAV of the Corporation.

9. Reconciliation of net asset value

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the NAV and the GAAP NAV of an investment fund is required for financial reporting purposes. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold short) to be used in the fair valuation of investment, rather than the user of closing prices currently used for the purposes of determining NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment fund industry. These changes account for the difference between NAV and GAAP NAV as follows:

	Per share June 30, 2009	Per share December 31, 2008
	\$	\$
NAV	3.53	4.88
Difference resulting from Section 3855	0.02	(0.59)
GAAP NAV	3.55	4.29

10. Financial instruments risk management

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

The Corporation'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 Corporation uses diversification to moderate risk exposures associated with a concentration of investments.

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10. Financial instruments risk management (continued)

The Corporation's investment objective is to provide shareholders of the Corporation with an investment in a diversified portfolio of shares of resource issuers with a view to achieving capital appreciation. 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 efficient technologies.

The Corporation 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 Corporation will use derivatives for hedging purposes only. The Corporation 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 Corporation 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 Corporation on a tax-deferred basis in exchange for shares of the Corporation.

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

Market risk

a) Price risk

The Corporation's investments are exposed to market 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 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 instruments 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 Corporation's overall market positions are monitored on a daily basis by the Portfolio Adviser and are reviewed on a quarterly basis by the Board of Directors.

At June 30, 2009, the Corporation'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 fair value of investments assuming all other variables remain constant would be approximately \$1,416,000.

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10. Financial instruments risk management (continued)

b) Interest rate risk

The substantial majority of the Corporation's financial assets and liabilities are non-interest bearing. As a result, the Corporation 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 Corporation'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.

The table below summarizes the Corporation's exposure to interest rate risks at June 30, 2009. It includes the Corporation's assets and liabilities at carrying values, categorized by the earlier of contractual re-pricing or maturity dates.

	Due less than 3 months \$	Due more than 12 months \$	Non- interest bearing \$	Total \$
Cash	4,115,582	-	-	4,115,582
Receivable due from brokers	-	-	3,181,137	3,181,137
Investments	-	497,333	29,577,547	30,074,880
Prepaid expenses	-	-	606	606
Liabilities	-	-	(227,540)	(227,540)
	<hr/>	<hr/>	<hr/>	<hr/>
	4,115,582	497,333	32,531,750	37,144,665

The Corporation's exposure to interest rate changes results from the difference between assets and liabilities and their respective maturities or interest rate repricing dates. Based on current differences as at June 30, 2009, the Corporation estimates that an immediate and sustained 100 basis point change in interest rates would impact net interest income by approximately \$41,000.

c) Foreign currency risk

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

QE Funds Corp.
Qwest Energy Canadian Resource Class

Notes to Financial Statements
June 30, 2009
(Unaudited)

10. Financial instruments risk management (continued)

Credit risk

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

When the Corporation trades in listed or unlisted securities which 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 Corporation only transacts with reputable, highly credit-rated brokers.

The Manager monitors the Corporation's credit position regularly, and the Board of Directors reviews it on a periodic basis. The Corporation has not identified any past due assets or receivables as at June 30, 2009.

Liquidity risk

The Corporation 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 Corporation invests in investments that are not traded in an active market or are thinly traded, the Corporation 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 Corporation's liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular investee entity. As at June 30, 2009, approximately 10% of the Corporation's net assets were in private company investments. Although the Corporation manages its assets to cover any redemption risks, there is a risk that the Corporation's investment in private company investments could make it difficult for the Corporation to meet redemption requests. Securities purchased by the Corporation may be subject to resale restrictions such as hold periods. During periods when resale restrictions apply, the Corporation 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 Corporation.

11. Corporation capital

Shares of the Corporation issued and outstanding represent the Capital of the Fund. The Fund is currently not issuing new shares except through a Liquidity Event such as a roll-over of Partnerships from eligible limited partnerships organized by companies that are related to the Manager or former limited partners of such limited partnerships. The Manager manages the capital of the Corporation in accordance with the investment objectives of the Corporation. There are no externally imposed restrictions on the Corporation's capital.