

**Probity Mining 2019 Short Duration Flow-Through  
Limited Partnership**

2019 Annual Management  
Report of Partnership Performance

# Probity Mining 2019 Short Duration Flow-Through Limited Partnership

## 2019 Annual Management Report of Fund Performance

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This annual management report of Partnership performance contains financial highlights but does not contain the complete annual financial statements of Probity Mining 2019 Short Duration Flow-Through Limited Partnership (the “Partnership”). You can get a copy of the financial statements at no cost in the following ways; by calling Qwest Investment Fund Management Ltd. (the “Manager”) at (604) 602-1142 or 1-866-602-1142; by writing to the Manager at, Suite 732, 1055 Dunsmuir Street, Vancouver, BC V7X 1L2; by e-mailing the Manager at [info@qwestfunds.com](mailto:info@qwestfunds.com); or by viewing the information on SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact the Manager to request a copy of the Partnership’s proxy voting policies and procedures, proxy voting disclosure records, or quarterly portfolio disclosures.

### Management Discussion of Partnership Performance

#### Results of Operations

The Partnership commenced operations on February 22, 2019. During the period ended December 31, 2019, the Partnership issued 292,255 Class A – National Class units, 56,920 Class A – British Columbia units, 74,000 Class A – Quebec units, 190,700 Class F – National Class units, 8,000 Class F – British Columbia units, 21,200 Class F – Quebec units, and 1 Class P unit. As at December 31, 2019, all classes of units issued were outstanding.

Total expenses incurred by the Partnership from the commencement of operations on February 22, 2019 to December 31, 2019 was \$937,264, comprised mainly of \$783,633 in issue costs, \$66,714 in accounting fees, \$15,203 in administrative fees, \$27,085 in audit fees, and \$20,615 in legal fees.

Realized gain on sale of investments from the commencement of operations on February 22, 2019 to December 31, 2019 was \$138,243 and unrealized depreciation of investments from February 22, 2019 to December 31, 2019 was \$74,922.

At December 31, 2019, net assets attributable to Limited Partners for Class A – National Class units was \$2,513,063 or \$8.60 per unit, for Class A – British Columbia units was \$442,387 or \$7.77 per unit, for Class A – Quebec units was \$630,566 or \$8.52 per unit, for Class F – National Class units was \$1,717,465 or \$9.01 per units, for Class F – British Columbia units was \$64,747 or \$8.09 per units, and for Class F – Quebec units was \$189,572 or \$8.94 per unit.

#### Recent Developments

The two largest sectors in the Partnership’s asset mix are:

- 1) Gold and precious metals, and
- 2) Electric metals which include copper, zinc, cobalt, lithium and graphite.

2019 was a consolidation year for commodities therefore it is expected that commodity sectors will generate strength in the years to come. The growing strength of the global economy should ensure this trend continues well into 2020. Notably, the mining industry remains mired with low equity valuations (a reflection of the high cost of capital for the sector), which constitutes a divergence between fundamentals and equity values. Low equity valuations are attractive. It’s believed that investments into the mining sector will benefit as equity valuations rise to reflect the fundamentals within the sector.

Merger and acquisition activity should also increase as this scenario unfolds, with larger producers seeking to acquire smaller explorers. As a result, the Partnership is bullish on the mining sector based on low valuations and increasing consolidation.

#### *Gold and Precious Metals*

The Partnership continues to seek investment opportunities in mining companies that are about to transition from exploration companies to producing companies. Production provides cashflow, reducing the need for equity financing, setting the stage for rising equity valuations. Small and midcap exploration companies remain undervalued and provide excellent acquisition opportunities for large producing companies, which need to exploit new mineral discoveries.

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### Base and Electric Metals

Demand for base and electric metals continues to be driven by the growing strength of the global economy. China and the United States continue to be the largest consumers. Growing sales of hybrid and electric cars continue to drive demand for these materials, which include copper, zinc, cobalt, and lithium. Graphite remains a factor in this mix but can be a less attractive investment due to its relatively high costs domestically.

Demand for improved infrastructure should increase prices for steel, coking coal and various other additives. Infrastructure spending programs in Canada and the US also contribute to a better outlook for base metals.

### Financial Highlights

The following tables show selected key financial information about the Partnership and are intended to help you understand the Partnership's financial performance for the past period. This information is derived from the Partnership's financial statements.

#### Net Assets per Limited Partnership unit <sup>(1)</sup>

Net Assets attributable to Limited Partners for Class A - National Class, per unit		December 31, 2019
<b>Initial NAV</b>	<b>\$</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue		-
Total expenses		(1.59)
Realized gains (losses)		0.21
Unrealized gains (losses)		(0.02)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>		<b>(1.40)</b>
<b>Distributions:</b>		
From dividends		-
From capital gains		-
<b>Total distributions</b>		<b>-</b>
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>\$</b>	<b>8.60</b>

Net Assets attributable to Limited Partners for Class A - British Columbia, per unit		December 31, 2019
<b>Initial NAV</b>	<b>\$</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue		-
Total expenses		(1.53)
Realized gains (losses)		-
Unrealized gains (losses)		(0.69)
<b>Total decrease from operations <sup>(2)</sup></b>		<b>(2.23)</b>
<b>Distributions:</b>		
From dividends		-

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From capital gains		-
<b>Total distributions</b>		-
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>\$</b>	<b>7.77</b>

Net Assets attributable to Limited Partners for Class A - Quebec, per unit		December 31, 2019
<b>Initial NAV</b>	<b>\$</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue		-
Total expenses		(1.58)
Realized gains (losses)		0.20
Unrealized gains (losses)		(0.10)
<b>Total decrease from operations <sup>(2)</sup></b>		<b>(1.48)</b>
<b>Distributions:</b>		
From dividends		-
From capital gains		-
<b>Total distributions</b>		-
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>\$</b>	<b>8.52</b>

Net Assets attributable to Limited Partners for Class F - National Class, per unit		December 31, 2019
<b>Initial NAV</b>	<b>\$</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue		-
Total expenses		(1.19)
Realized gains (losses)		0.22
Unrealized gains (losses)		(0.02)
<b>Total decrease from operations <sup>(2)</sup></b>		<b>(0.99)</b>
<b>Distributions:</b>		
From dividends		-
From capital gains		-
<b>Total distributions</b>		-
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>\$</b>	<b>9.01</b>

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Net Assets attributable to Limited Partners for Class F - British Columbia, per unit		December 31, 2019
<b>Initial NAV</b>	\$	<b>10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue		-
Total expenses		(1.18)
Realized gains (losses)		-
Unrealized gains (losses)		(0.73)
<b>Total decrease from operations <sup>(2)</sup></b>		<b>(1.91)</b>
<b>Distributions:</b>		
From dividends		-
From capital gains		-
<b>Total distributions</b>		<b>-</b>
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>\$</b>	<b>8.09</b>

Net Assets attributable to Limited Partners for Class F - Quebec, per unit		December 31, 2019
<b>Initial NAV</b>	\$	<b>10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue		-
Total expenses		(1.17)
Realized gains (losses)		0.21
Unrealized gains (losses)		(0.10)
<b>Total decrease from operations <sup>(2)</sup></b>		<b>(1.06)</b>
<b>Distributions:</b>		
From dividends		-
From capital gains		-
<b>Total distributions</b>		<b>-</b>
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>\$</b>	<b>8.94</b>

(1) This information is derived from the Partnership's annual December 31, 2019 financial statements. The net assets per security presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

(2) The Partnership is a closed-end partnership and no additional units can be issued after the completion of the final closing. In addition, no Partnership units can be redeemed until the time of dissolution of the Partnership. As a result, the units issued and outstanding as of the completion of the final closing were used to calculate the net assets attributable to limited partners as at December 31, 2019 and the increase (decrease) from operations for the period from commencement on February 22, 2019 to December 31, 2019.

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*Ratios and Supplemental Data*

<b>Class A - National Class</b>	<b>December 31, 2019</b>	
Total net asset value (000's)	\$	2,513
Number of mutual fund shares outstanding		292,255
Management expense ratio <sup>(1)</sup>		3.13%
Management expense ratio before absorption <sup>(1)</sup>		3.13%
Portfolio turnover rate <sup>(2)</sup>		55.13%
Trading expense ratio <sup>(3)</sup>		0.20%
Net asset value per share	\$	8.60

<b>Class A - British Columbia</b>	<b>December 31, 2019</b>	
Total net asset value (000's)	\$	442
Number of mutual fund shares outstanding		56,920
Management expense ratio <sup>(1)</sup>		3.03%
Management expense ratio before absorption <sup>(1)</sup>		3.03%
Portfolio turnover rate <sup>(2)</sup>		55.13%
Trading expense ratio <sup>(3)</sup>		0.20%
Net asset value per share	\$	7.77

<b>Class A - Quebec</b>	<b>December 31, 2019</b>	
Total net asset value (000's)	\$	631
Number of mutual fund shares outstanding		74,000
Management expense ratio <sup>(1)</sup>		3.64%
Management expense ratio before absorption <sup>(1)</sup>		3.64%
Portfolio turnover rate <sup>(2)</sup>		55.13%
Trading expense ratio <sup>(3)</sup>		0.20%
Net asset value per share	\$	8.52

<b>Class F - National Class</b>	<b>December 31, 2019</b>	
Total net asset value (000's)	\$	1,717
Number of mutual fund shares outstanding		190,700
Management expense ratio <sup>(1)</sup>		3.13%
Management expense ratio before absorption <sup>(1)</sup>		3.13%
Portfolio turnover rate <sup>(2)</sup>		55.13%
Trading expense ratio <sup>(3)</sup>		0.20%
Net asset value per share	\$	9.01

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<b>Class F - British Columbia</b>	<b>December 31, 2019</b>	
Total net asset value (000's)	\$	65
Number of mutual fund shares outstanding		8,000
Management expense ratio <sup>(1)</sup>		3.03%
Management expense ratio before absorption <sup>(1)</sup>		3.03%
Portfolio turnover rate <sup>(2)</sup>		55.13%
Trading expense ratio <sup>(3)</sup>		0.20%
Net asset value per share	\$	8.09

<b>Class F - Quebec</b>	<b>December 31, 2019</b>	
Total net asset value (000's)	\$	190
Number of mutual fund shares outstanding		21,200
Management expense ratio <sup>(1)</sup>		3.64%
Management expense ratio before absorption <sup>(1)</sup>		3.64%
Portfolio turnover rate <sup>(2)</sup>		55.13%
Trading expense ratio <sup>(3)</sup>		0.20%
Net asset value per share	\$	8.94

<sup>(1)</sup> Management expense ratio ("MER") is based on total expenses less commissions for the stated period and is expressed as an annualized percentage of monthly average net assets during the period.

<sup>(2)</sup> The portfolio turnover rate indicates how actively the Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling all the securities in its portfolio once in the course of the period. The higher a portfolio turnover rate is in a period, the greater the trading costs payable by the Partnership in the period, and the greater the chance of an investor receiving taxable capital gain in the period. There is not necessarily a relationship between turnover rate and the performance of a portfolio.

<sup>(3)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of average net assets during the period.

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### Management Fees

There is no management fee.

### Past Performance

Investment performance in respect of the Partnership that has been available for less than one year is not provided. The Partnership commenced operations on February 22, 2019.

### Summary of Investment Portfolio

As at December 31, 2019, the net assets attributable to limited partners was \$5,557,883. Below is a breakdown of the investment portfolio as at December 31, 2019, by sector and as a percentage of the aggregate net asset value of the 13 securities in the investment portfolio:

Top Holdings	% of Net Assets	Sector/Subgroup	% of Net Assets
Tudor Gold Corp. FT RSTD	17.31	Basic materials	78.78
VR Resources Ltd. FT	15.53	Cash	21.99
Monarch Gold Corporation FT	6.76	Other assets - net of liabilities	(0.77)
Braveheart Resources Inc. FT RSTD	6.24		100.00
Balmoral Resources Ltd. FT	6.09		
Aben Resources Ltd. FT RSTD	5.94		
Ximen Mining Corp. FT RSTD	4.43		
WTS Tudor Gold Corp. \$0.50 06JUN2020 RSTD	4.95		
EnGold Mines Ltd. FT	3.03		
Sirios Resources Inc. FT	2.37		
Frontier Lithium Inc. FT	2.36		
Imperial Mining Group Ltd. FT	1.80		
Crystal Lake Mining Corp. FT	1.76		
WTS Frontier Lithium Inc. \$0.50 15MAY2021 RSTD 16SEP2019	0.21		

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. A quarterly update is available at [www.qwestfunds.com](http://www.qwestfunds.com).

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### **Caution Regarding Forward-looking Statements**

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts, but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Partnership may invest in and the risks detailed from time to time in the Fund's simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, management of the Partnership does not undertake, and specifically disclaims any intention or obligation to update or revise any forward-looking statements, future events or otherwise, unless required by applicable law.