

Financial Statements of

**PROBITY MINING 2023-II
SHORT DURATION FLOW-THROUGH
LIMITED PARTNERSHIP**

And Independent Auditors' Report thereon

**Period from commencement of operations on
October 24, 2023 to December 31, 2023**



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Limited Partners of the Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Opinion

We have audited the financial statements of the Probity Mining 2023-II Short Duration Flow-Through Limited Partnership ("the Partnership"), which comprise:

- the statement of financial position as at December 31, 2023;
- the statement of comprehensive income for the period from commencement of operations on October 24, 2023 to December 31, 2023;
- the statement of changes in net assets attributable to partners for the period from commencement of operations on October 24, 2023 to December 31, 2023;
- the statement of cash flows for the period from commencement of operations on October 24, 2023 to December 31, 2023; and
- and notes to the financial statements, including a summary of material accounting policy information (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2023 and its financial performance and its cash flows for the period from commencement of operations on October 24, 2023 to December 31, 2023 in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

The General Partner is responsible for the other information. Other information comprises the information included in the Annual Management's Reports on Partnership Performance for the Partnership filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management's Reports on Partnership Performance for the Partnership filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of the General Partner and Those Charged with Governance for the Financial Statements

The General Partner is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as the General Partner determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Partner is responsible for assessing the Partnership's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the General Partner either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Partner.
- Conclude on the appropriateness of the General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 28, 2024

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Statement of Financial Position

As at December 31, 2023

Assets

Current assets:

Cash	\$	163,387
Tax refund receivable		7,035
Investments		7,820,565
		<u>7,990,987</u>

Liabilities

Current liabilities:

Accounts payable and accrued liabilities		102,737
Accrued Class P and General Partner allocation		155,247
		<u>257,984</u>

Class net assets attributable to Partners **\$ 7,733,003**

Net assets attributable to Partners:

Class A – National	\$	2,563,407
Class A – British Columbia		1,065,711
Class A – Quebec		1,133,624
Class F – National		2,684,854
Class F – British Columbia		52,805
Class F – Quebec		232,582
Class P		10
General Partner		10
	\$	<u>7,733,003</u>

Partnership units outstanding (note 4):

Class A – National	244,330
Class A – British Columbia	102,609
Class A – Quebec	133,400
Class F – National	248,540
Class F – British Columbia	5,000
Class F – Quebec	26,100
Class P	1
General Partner	1

Net assets per unit attributable to Limited Partners (note 9):

Class A – National Class	\$	10.49
Class A – British Columbia		10.39
Class A – Quebec		8.50
Class F – National Class		10.80
Class F – British Columbia		10.56
Class F – Quebec		8.91
Class P		10.00
General Partner		10.00

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of the General Partner:

/s/ "Peter Christiansen" Director
Peter Christiansen

/s/ "Brent Larkan" Director
Brent Larkan

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Statement of Comprehensive Income

Period from commencement of operations on October 24, 2023 to December 31, 2023

Income:

Unrealized appreciation of investments	\$	1,245,563
Tax refund		7,035
		<u>1,252,598</u>

Expenses (note 3):

Issue costs (note 3(a))		756,527
Performance fees		155,247
Administrative fees		53,432
Audit fees		47,861
Legal fees		46,448
Fund Manager fees		28,350
Filing fees		11,500
Tax and compliance professional fees		9,776
Transfer agent fees		6,695
Custodian fees		2,625
Bank charges		757
Other fees		187
		<u>1,119,405</u>

Increase in net assets attributable to partners from operations	\$	133,193
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Increase (decrease) in net assets attributable to partners from operations per

Class (note 8):

Class A – National	\$	120,107
Class A – British Columbia		39,621
Class A – Quebec		(200,376)
Class F – National		199,454
Class F – British Columbia		2,805
Class F – Quebec		(28,418)
Class P		-
General Partner		-

	\$	133,193
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Increase (Decrease) in net assets attributable to partners from operations per

unit (note 8):

Class A – National	\$	0.49
Class A – British Columbia		0.39
Class A – Quebec		(1.50)
Class F – National		0.80
Class F – British Columbia		0.56
Class F – Quebec		(1.09)
Class P		-
General Partner		-

See accompanying notes to financial statements.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Statements of Changes in Net Assets Attributable to Partners

Period from commencement of operations on October 24, 2023 to December 31, 2023

December 31, 2023	Net assets attributable to partners, beginning of period		Proceeds from issuance	Increase/(decrease) in net assets attributable to partners, from operations		Net assets attributable to partners, end of period
Class A – National	\$	-	\$ 2,443,300	\$	120,107	\$ 2,563,407
Class A – British Columbia		-	1,026,090		39,621	1,065,711
Class A – Quebec		-	1,334,000		(200,376)	1,133,624
Class F – National		-	2,485,400		199,454	2,684,854
Class F – British Columbia		-	50,000		2,805	52,805
Class F – Quebec		-	261,000		(28,418)	232,582
Class P		-	10		-	10
General Partner		-	10		-	10
	\$	-	\$ 7,599,810	\$	133,193	\$ 7,733,003

See accompanying notes to financial statements.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Statements of Cash Flows

Period from commencement of operations on October 24, 2023 to December 31, 2023

Cash provided by (used in):

Operating Activities

Increase in net assets attributable to partners from operations	\$	133,193
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Items not involving cash:

Unrealized appreciation of investments	(1,245,563)
Tax refund	(7,035)

Change in non-cash balances

Re-allocation of income to GP Contributions	155,247
Accounts payable and accrued liabilities	102,737

Investing Activities

Purchase of investments	(6,575,002)
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Financing Activities

Proceeds from issuance of units	7,599,810
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Increase in cash during the period	163,387
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Cash, beginning of period	-
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Cash, end of period	\$	163,387
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See accompanying notes to financial statements.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Schedule of Investment Portfolio

As at December 31, 2023

	Number of shares	Average cost \$	Fair value \$	Net assets %
Canadian equities mining*:				
Azincourt Energy Corp. (NC FT)	5,714,286	200,000	200,000	2.59
Blue Star Gold Corp. (NC FT)	750,000	300,000	315,000	4.08
Brixton Metals Corp. (BC FT)	1,764,706	300,000	247,059	3.19
Canada Silver Cobalt (QC FT)	6,250,000	250,000	218,750	2.83
Canterra Minerals Corp. (NC FT)	3,846,154	250,000	365,384	4.73
Cantex Mine Development Corp. (NC FT)	1,166,667	350,000	315,000	4.07
Emperor Metals Inc. (QC FT)	1,600,000	200,000	152,000	1.97
Fathom Nickel Inc. (NC FT)	3,461,539	450,000	415,385	5.37
Goldstorm Gold Corp. (BC FT)	1,250,000	250,000	237,500	3.07
Green Battery Metals Inc. (QC FT)	2,500,000	175,000	125,000	1.62
Independence Gold Corp. (BC FT)	1,944,445	350,000	476,389	6.16
Interra Copper Corp. (BC FT)	517,242	150,000	113,793	1.47
Jinhua Capital Corp. (QC FT)	2,500,000	150,000	112,500	1.45
Metal Energy Corp. (NC FT)	5,000,000	250,000	225,000	2.91
MTB Metals Corp. (BC FT)	3,000,000	300,000	225,000	2.91
Nine Mile Metals Ltd. (NC FT)	1,250,000	250,000	150,000	1.94
Noble Mineral Exploration Inc. (NC FT)	2,000,000	150,000	100,000	1.29
O3 Mining Inc. (QC FT)	55,556	100,001	87,223	1.13
Sanatana Resources Inc. (BC FT)	2,000,000	200,000	180,000	2.33
Silver North Resources Ltd. (NC FT)	625,000	125,000	87,500	1.13
Stallion Uranium Corp. (NC FT)	1,250,000	300,000	256,250	3.31
Standard Uranium (NC FT)	4,166,667	250,000	187,500	2.42
Star Diamond Corporation (NC FT)	2,272,728	250,000	170,455	2.21
Stelmine Canada Ltd. (QC FT)	2,058,824	175,000	144,118	1.87
Tudor Gold Corp. (BC FT)	380,953	400,001	361,905	4.68
Vortex Energy Corp. (NC FT)	581,396	250,000	343,024	4.44
Ximen Mining Corp. (BC FT)	1,000,000	200,000	295,000	3.81
Total equities		\$ 6,575,002	\$ 6,106,735	78.98

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Schedule of Investment Portfolio (continued)

As at December 31, 2023

	Number of warrants	Average cost \$	Fair value \$	Net assets %
Canadian warrants mining*:				
Azincourt Energy Corp. (NC) (expiry 29 December, 2026; strike price \$0.05)	5,714,286	-	145,961	1.89
Brixton Metals Corp. (BC) (expiry 20 November, 2025; strike price \$0.23)	882,353	-	35,874	0.46
Canada Silver Cobalt Works Inc. (QC) (expiry 27 November, 2025; strike price \$0.08)	3,125,000	-	33,635	0.43
Cantex Mine Development Corp. (NC) (expiry 16 November, 2025; strike price \$0.39)	583,333	-	70,774	0.92
Fathom Nickel Inc. (NC) (expiry 21 December, 2025; strike price \$0.20)	3,461,539	-	260,220	3.37
Goldstorm Metals Corp. (BC) (expiry 15 December, 2025; strike price \$0.35)	625,000	-	58,122	0.75
Green Battery Minerals Inc. (QC) (expiry 29 December, 2026; strike price \$0.10)	1,250,000	-	44,436	0.57
Jinhua Capital Corp (QC) (expiry 14 May, 2025; strike price \$0.10)	1,250,000	-	27,335	0.35
Metal Energy Corp. (NC) (expiry 18 December, 2026; strike price \$0.10)	2,500,000	-	67,918	0.88
MTB Metals Corp. (BC) (expiry 28 December, 2026; strike price \$0.18)	3,000,000	-	80,401	1.04
Nine Mile Metals Ltd. (NC) (expiry 19 December, 2025; strike price \$0.23)	625,000	-	44,134	0.57
Noble Mineral Exploration Inc. (NC) (expiry 22 December, 2025; strike price \$0.125)	1,000,000	-	19,903	0.26
Sanatana Resources Inc. (BC) (expiry 22 December, 2026; strike price \$0.15)	2,000,000	-	127,680	1.65
Stallion Uranium Corp. (NC) (expiry 22 December, 2025; strike price \$0.30)	625,000	-	59,291	0.77
Standard Uranium Ltd. (NC) (expiry 13 December, 2025; strike price \$0.09)	2,083,333	-	48,732	0.63
Star Diamond Corp. (NC) (expiry 29 December, 2026; strike price \$0.14)	2,272,728	-	78,870	1.02
Stelmine Canada Ltd. (QC) (expiry 20 December, 2025; strike price \$0.14)	1,029,412	-	26,337	0.34
Tudor Gold Corp. (BC) (expiry 13 December, 2025; strike price \$1.35)	190,476	-	49,968	0.65
Vortex Energy Corp. (NC) (expiry 22 December, 2025; strike price \$0.55)	581,396	-	314,822	4.07
Ximen Mining Corp. (BC) (expiry 20 December, 2026; strike price \$0.25)	500,000	-	119,418	1.54
Total warrants			\$ 1,713,831	22.16

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Schedule of Investment Portfolio (continued)

As at December 31, 2023

	Number of warrants	Average cost \$	Fair value \$	Net assets %
Total portfolio of investments			7,820,565	101.14
Cash			163,387	2.11
Other net liabilities			(250,949)	(3.25)
Net assets attributable to Partners (100%)			\$ 7,733,003	100.00

* As at December 31, 2023, these securities are restricted by the issuer from trading. The restrictions range from 2 to 4 months. See accompanying notes to financial statements.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

1. Formation and purpose of the Partnership:

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership (the “Partnership”) was formed on June 15, 2023 as a limited partnership under the laws of the Province of British Columbia, Canada and commenced operations on October 24, 2023. The address of the Partnership’s registered office is Suite 530, 355 Burrard Street, Vancouver, British Columbia V6C 2G8. The general partner of the Partnership is Probity 2023-II Management Corp. (the “General Partner”) whose ultimate parent is Probity Capital Corporation. The Partnership consists of seven classes of limited partnership units, National Class (“NC”) A and F; British Columbia (“BC”) Class A and F; Quebec Class (“QC”) A and F; and Class P (collectively, the “Units”). The Units are identical to each other, except for the fees applicable to each class. The principal purpose of the Partnership is to provide Limited Partners with a tax-assisted investment in a portfolio of flow-through shares of resource issuers for capital appreciation and profits. Management’s intention is that an investment in the Partnership will provide all classes of A and F Limited Partners exposure to a portfolio (the “Portfolio”) comprising primarily shares of resource issuers that qualify as “flow-through shares” for the purposes of the Income Tax Act (Canada) (the “ITA”) pursuant to which the resource issuer agrees to incur and renounce to the Partnership “Canadian exploration expense” (as defined in the ITA) (“CEE”).

The General Partner delegates certain investment advisory responsibilities to Qwest Investment Fund Management Ltd. (the “Manager”).

Under the limited partnership agreement (the “Partnership Agreement”) between the General Partner and each of the Limited Partners (together, the “Partners”), dated June 15, 2023, for each Portfolio, ordinary income is allocated among the Partners on the following basis:

- (i) firstly, pro rata to the particular Partners the amount (if any) by which:
 - (a) the aggregate Ordinary Losses in respect of the Class Portfolio allocated to the particular Partners in prior Fiscal Years; exceeds
 - (b) the aggregate Ordinary Income in respect of the Class Portfolio allocated to the particular Partners in prior Fiscal Years;
- (ii) secondly, to the General Partner 0.01% of the remaining unallocated Ordinary Income in respect of the Class Portfolio;
- (iii) thirdly, pro rata to the particular Partners the lesser of:
 - (a) the remaining unallocated Ordinary Income in respect of the Class Portfolio; and
 - (b) the amount (if any) by which:
 - (A) the aggregate Subscription Price paid for the Class to which the Class Portfolio relates; exceeds

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

1. Formation and purpose of the Partnership (continued):

(iii) thirdly, pro rata to the particular Partners the lesser of (continued):

(B) the total of:

- the Ordinary Income in respect of the Class Portfolio allocated to the particular Partners in the Fiscal Year;
- the aggregate Ordinary Income in respect of the Class Portfolio allocated to the particular Partners in prior Fiscal Years; and

(iv) fourthly, the balance of the unallocated Ordinary Income in respect of the Class Portfolio shall be allocated as follows:

- (a) 30% to the holders of the Class P Units pro rata; and
- (b) 70% to the particular Partners pro rata.

These financial statements were authorized for issue by the Board of Directors of the General Partner on March 28, 2024.

2. Material accounting policy information:

(a) Basis of preparation and statement of compliance:

These financial statements have been prepared in compliance with IFRS Accounting Standards.

(b) Basis of measurement:

These financial statements have been prepared on a historical cost basis except for investments which are measured at fair value.

(c) Functional currency and presentation currency:

The statement of financial position is presented in Canadian dollars, which is the Partnership's functional and presentation currency.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

2. Material accounting policy information (continued):

(d) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Partnership becomes a party to the contractual provisions of the instrument. The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Partnership has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Partnership may irrevocably elect to measure financial assets that otherwise meet the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

2. Material accounting policy information (continued):

(d) Financial instruments (continued):

(ii) Fair value through profit and loss:

Financial assets are not reclassified subsequent to their initial recognition, unless the Partnership changes its business model for managing financial assets, in which cases all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

The Partnership has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Partnership may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

The Partnership classifies investments as FVTPL. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Partnership uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Partnership's policy is to recognize transfers into and out of the fair value hierarchy levels as of the beginning of the period of the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

2. Material accounting policy information (continued):

(d) Financial instruments (continued):

(iii) Amortized cost (continued):

The Partnership classifies cash as amortized cost and accounts payable and accrued liabilities.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

The Partnership recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognised on the trade date.

(e) Income recognition:

Realized gains and losses on disposal of financial assets at fair value through profit or loss and unrealized gains and losses in the value of financial assets at fair value through profit or loss are reflected in the statement of comprehensive income 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 expenses as incurred.

(f) Allocation of income and expenses and realized and unrealized capital gains and losses:

Income and expenses incurred in connection with the Partnership's operations and realized and unrealized gains or losses that are not directly attributable to a particular class of units are allocated between Class A - National Class, Class A - British Columbia, Class A - Quebec, Class F - National Class, Class F - British Columbia, Class F - Quebec units in accordance with the Partnership Agreement dated June 15, 2023 and as outlined in note 1.

(g) Income taxes:

Since the Partnership is an unincorporated business, the liability for income taxes is that of the partners and not the Partnership. Accordingly, no provision for income taxes for the Partnership has been made in these financial statements. These financial statements do not include the Limited Partners' information.

For income tax purposes, the adjusted cost base of flow-through shares is reduced by the amount of Eligible Expenditures renounced to the Partnership. Upon disposition of such shares, a capital gain will result and be allocated to the Limited Partners based upon their proportionate share of the Partnership.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

2. Material accounting policy information (continued):

(h) Net assets attributable to partners:

The Partnership Agreement between the General Partner and each of the Limited Partners dated June 15, 2023 imposes a contractual obligation for the Partnership to deliver a pro rata share of its net assets to the partners on termination of the Partnership. Based on the terms of the Partnership Agreement, the General Partner and Limited Partners are both considered to have an interest in the residual net assets of the Partnership; however, they are not considered to have identical contractual obligations. Consequently, the net assets attributable to Limited Partners and General Partner are classified as liabilities in the financial statements.

The Partnership's obligation for net assets attributable to partners is presented at the redemption amount, which is the residual amount of assets of the Partnership after deducting all of its liabilities.

(i) Increase in net assets attributable to partners from operations per Partnership unit:

Increase in net assets attributable to limited partners from operations per Partnership unit is determined by dividing the net increase in net assets attributable to limited partners from operations by the weighted average number of limited partnership units outstanding during the reporting period.

(j) Accounting estimates and judgments:

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. The following paragraphs discuss the most significant accounting estimates and judgments that the Partnership has made in preparing its financial statements:

(i) Fair value measurement of securities not quoted in an active market:

The fair value of warrants is determined using a valuation model such as the Black-Scholes model. Key estimates underlying this model include implied volatility and time value factors. The fair value determined may not equal the eventual settlement amount.

(ii) Classification and measurement of investments and application of the fair value option:

In classifying and measuring financial instruments held by the Partnership, the Investment Manager is required to make significant judgments about whether or not the business of the Partnership is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Partnership's investments are classified as FVTPL.

Probity Mining 2023-II Short Duration Flow-Through Limited Partnership

Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

3. Expenses of the Partnership:

(a) Issue costs:

Issue costs are expenses of the offering of the Units of the Partnership which include the costs of creating and organizing the Partnership. Issue costs include certain costs as outlined in the offering memorandum such as agents' fee, legal, audit, regulatory filing and printing. Issue costs are presented gross in the Statement of Comprehensive Income. Issue costs for the period from October 24, 2023 to December 31, 2023 is as follows:

December 31, 2023	Issue costs associated with issuance of units
Class A – National Class	\$ 276,813
Class A – British Columbia	102,280
Class A – Quebec	160,582
Class F – National Class	192,318
Class F – British Columbia	3,944
Class F – Quebec	20,590
	<hr/>
	\$ 756,527

(b) Operating expenses:

The Partnership pays all of the expenses of the operations and carrying on of its business, including legal and audit fees, interest, administrative costs relating to the cost of financial and other reports, and compliance with all applicable laws, regulations and policies. The General Partner is reimbursed for all reasonable out-of-pocket costs and expenses that are incurred by the General Partner on behalf of the Partnership in the ordinary course of business or other costs and expenses incidental to acting as general partner so long as the General Partner is not in default of its obligations.

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4. Partners' interest:

The interest of the Limited Partners in the Partnership is divided into an unlimited number of Units. The Partnership is authorized to issue a maximum of 5,000,000 Units.

All the limited partnership Units have equal rights and privileges, including equal participation in any distribution made by each respective class and the right to one vote at any meeting of the Limited Partners.

Issued and outstanding:

The Partnership completed its final offering on December 22, 2023 and issued 759,981 Partnership Units (244,330 units of Class A - National Class, 102,609 units of Class A - British Columbia, 133,400 units of Class A – Quebec, 248,540 units of Class F - National Class, 5,000 units of Class F - British Columbia, 26,100 of Class F – Quebec, 1 unit of Class P and 1 unit of General Partner) at a subscription price of \$10 per Unit for a total of \$ 7,599,810. All Units issued were outstanding as at December 31, 2023.

Pursuant to the Partnership Agreement, the General Partner contributed \$10 to the capital of the Partnership.

5. Fair value measurement:

The following table illustrates the classification of the Partnership's investments within the fair value hierarchy as at December 31, 2023. 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.

There were no financial instruments that were transferred between levels of the fair value hierarchy during the period ended December 31, 2023.

	Level 1	Level 2	Level 3	Total
Assets:				
Equities	\$ 6,106,735	-	\$ -	\$ 6,106,735
Warrants	-	\$ 1,713,831	-	\$ 1,713,831
	\$ 6,106,735	\$ 1,713,831	\$ -	\$ 7,820,566

All fair value measurements above are recurring. The carrying values of other financial instruments approximate their fair values due to their short-term nature.

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Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

5. Fair value measurement (continued):

The Manager is responsible for performing the fair value measurements included in the financial statements of the Partnership, including Level 3 measurements. The Manager has engaged SGGG Fund Services Inc. ("SGGG") to value the net assets of the Partnership on a weekly basis including pricing of Level 1 and Level 2 investments. SGGG obtains pricing from a third-party pricing vendor. The Partnership's overall market positions are monitored on a weekly basis by the Manager. The Manager ensures the accuracy of the NAV calculation, prepared by SGGG, by reviewing the NAV on a weekly basis. The Partnership's equity positions are classified as Level 1 when the security is actively traded and reliable prices are observable. Certain equities do not trade frequently or have resale restrictions and therefore observable prices may not be available. In such cases, fair value is determined using an observable market date (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

Certain equity investments held at December 31, 2023 were subject to a hold period and could not be freely traded at the valuation date. The valuation is based on trade activity of identical securities of the same issuer and have been classified as Level 2 in the fair value hierarchy as a result of the trade restriction specific to the units held by the Partnership.

As at December 31, 2023, the level 2 warrants of \$ 1,713,831 have been valued using the Black-Scholes valuation method.

6. Financial instruments risk management:

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

The Partnership's overall risk management strategy focuses on the unpredictability of performance of early-stage public resource investments and seeks to minimize potential adverse effects on the Partnership's financial performance.

(a) Market risk:

Price risk:

The Partnership's investments are exposed to market price risk due to changing market conditions for equities as well as specific industry changes in the mining 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. All investments in equity securities have an inherent risk of loss of capital.

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Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

6. Financial instruments risk management (continued):

(a) Market risk (continued):

Price risk (continued):

The maximum risk resulting from 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 Partnership's overall market positions are monitored on a monthly basis by the Partnership's Manager.

The Partnership's overall exposure is managed by investment restrictions which include a requirement for investments to be invested in resource issuers that are listed on a stock exchange. As at December 31, 2023, the Partnership's market risk is impacted directly by changes in equity prices and indirectly by changes in minerals and other commodity prices. The immediate impact on equities of a 10% increase or decrease in the fair value of investments would be approximately \$ 610,674.

Interest rate risk:

The monetary financial assets and liabilities of the Partnership are non-interest bearing. Consequently, the Partnership has no significant direct exposure to interest rate risk.

Currency risk:

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

(b) Credit risk:

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

Credit risk associated with cash is minimized by ensuring that these balances are held by high-quality financial institutions.

The Partnership is exposed to counterparty risk from the potential failure of the issuer of the warrants to settle its exercised warrants. The maximum risk of loss from counterparty risk to the Partnership is the fair value of the contracts. The Partnership considers the effects of counterparty risk when determining the fair value of its investments in warrants.

When the Partnership trades in listed or unlisted securities which are settled upon delivery, 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 Partnership only transacts with reputable brokers with a high credit rating.

The Manager monitors the Partnership's credit position regularly, and the board of directors of the General Partner reviews it on a periodic basis.

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Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

6. Financial instruments risk management (continued):

(c) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The Partnership's investments are entirely in Canadian companies involved in the mining sector, and as a result, the Partnership is exposed to a concentration of risk related to these holdings.

(d) Liquidity risk:

The Partnership is a closed-end partnership and therefore it does not have exposure to early redemptions of Partnership units. There is no market for units of the Partnership and it is unlikely that any public market will develop through which units may be sold. The Partnership's Level 1 investments are subject to four-month resale restrictions from the date of purchase. The Partnership holds sufficient cash to cover operating expenses and issue costs due in this period. The General Partner intends to implement a liquidity alternative.

It is anticipated that this will be the sale of the Partnership's assets for cash whereupon the proceeds shall be distributed to Limited Partners, pro rata, up to and upon the dissolution of the Partnership.

At December 31, 2023, all of the Partnership's financial liabilities were due within 30 days of the statement of financial position date, with the exception of net assets attributable to partners which mature at the end of the life of the Partnership or at the liquidation date.

The Partnership manages liquidity risk by maintaining sufficient liquid cash resources and investing the Partnership's assets in investments which are traded in an active market and can be readily disposed of when liabilities become due.

7. Capital risk management:

Units issued and outstanding are considered to be capital of the Partnership. The Partnership does not have any internally or externally imposed restrictions on its capital.

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Notes to Financial Statements

Period from commencement of operations on October 24, 2023 to December 31, 2023

8. Increase (decrease) in net assets attributable to partners:

The increase in net assets attributable to Limited Partners per Partnership Unit for the period ended December 31, 2023.

December 31, 2023	Increase (decrease) in net assets attributable to partners, from operations	Weighted average of units outstanding, during the period	Increase (decrease) in net assets attributable to partners, from operations per unit
Class A – National Class	\$ 120,107	244,330	\$ 0.49
Class A – British Columbia	39,621	102,609	0.39
Class A – Quebec	(200,376)	133,400	(1.50)
Class F – National Class	199,454	248,540	0.80
Class F – British Columbia	2,805	5,000	0.56
Class F – Quebec	(28,418)	26,100	(1.09)
Class P		1	-
General Partner		1	-

9. Comparison of IFRS Accounting Standards Net Assets per Unit and Transactional NAV per Unit:

The table below provides a reconciliation of Net Assets per Unit under IFRS Accounting Standards and Transactional NAV per Unit. IFRS Net Assets includes Black-Scholes adjustments to the value of warrants held, whereas the Transactional NAV does not require such adjustments.

December 31, 2023	Transactional NAV	Adjustment	IFRS net assets
Class A–National	\$ 8.21	\$ 2.28	\$ 10.49
Class A–British Columbia	8.73	1.65	10.39
Class A–Quebec	7.15	1.35	8.50
Class F–National	8.55	2.25	10.80
Class F–British Columbia	8.94	1.62	10.56
Class F–Quebec	7.50	1.41	8.91
Class P	10.00	-	10.00
General Partner	10.00	-	10.00