

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

2023 Annual Management  
Report of Partnership Performance

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

## 2023 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 2023-II 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 702 – 1030 West Georgia Street, Vancouver, BC V6E 2Y3; 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 October 24, 2023. During the period ended December 31, 2023, the Partnership issued 244,330 Class A – National Class units, 102,609 Class A – British Columbia units, 133,400 Class A – Quebec units, 248,540 Class F – National Class units, 5,000 Class F – British Columbia units, 26,100 Class F – Quebec units, and 1 Class P unit. As of December 31, 2023, all classes of units issued were outstanding.

Total expenses incurred by the Partnership for the period from commencement of operations on October 24, 2023 to December 31, 2023 were \$1,119,405 comprised mainly of \$756,527 in issue costs, \$155,247 in performance fees, \$53,432 in Administrative Fees, \$47,861 in Audit Fees and \$46,448 in Legal fees.

Unrealized appreciation of investments for the period ended December 31, 2023 was \$ 1,245,563.

At December 31, 2023, net assets attributable to Limited Partners for Class A – National Class units was \$2,563,407 or \$10.49 per unit, for Class A – British Columbia units was \$1,065,711 or \$10.39 per unit, for Class A – Quebec units was \$1,133,624 or \$8.50 per unit, for Class F – National Class units was \$2,684,854 or \$10.80 per unit, for Class F – British Columbia units was \$52,805 or \$10.56 per unit, and for Class F – Quebec units was \$232,582 or \$8.91 per unit.

#### Recent Developments

The tracked commodities and the S&P/TSX Venture Metals and Mining Index exhibited volatility and diverse performance trends in 2023. The venture index declined by 9%<sup>1</sup>, reflecting the scarcity of risky capital after posting positive gains in the first six months of the year. Meanwhile in the commodities complex, Gold, Copper, and Uranium were up 13%, 2% and 86%, while battery metals; Lithium, and Nickel declined by 81% and 45%, respectively<sup>2</sup>.

In December, the Federal Reserve held the Fed funds rate steady in the range of 5.25%-5.50%<sup>3</sup> signaling the possibility of a soft landing for the economic cycle. While the pause was somewhat anticipated, the Fed’s dovish 2024 outlook on interest rates invited risky capital back into the financial markets. This sent the equity markets soaring with some indices nearing or marking all-time highs. The Federal Open Markets Committee (FOMC) improved its inflation outlook for 2024. And while the 2023 GDP growth outlook has improved, the FOMC anticipates a slowdown in 2024. Despite the upbeat statements, the Fed, however, did not completely rule out a recession or interest rate hikes next year. The European Central Bank (ECB) and the Bank of England (BoE) also paused interest rate hikes at their most recent policy meetings<sup>4</sup>. While the ECB also lowered its inflation forecasts, both central banks were less dovish on their policy outlooks than their US counterparts.

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<sup>1</sup> [www.spglobal.com](http://www.spglobal.com)

<sup>2</sup> [www.tradingeconomics.com](http://www.tradingeconomics.com)

<sup>3</sup> [www.federalreserve.gov](http://www.federalreserve.gov)

<sup>4</sup> [www.ecb.europa.eu](http://www.ecb.europa.eu), [www.bankofengland.co.uk](http://www.bankofengland.co.uk)

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### Recent Developments (continued)

According to Reuters, global electric vehicle sales grew by 31% in 2023 despite concerns about softer demand because of the Chinese subsidies ending in December of 2022. Battery manufacturers have been reducing production due to those concerns in 2023. Indicators of a weakening global economy, fears of a recession and in some cases, robust supply have also contributed to lower demand for battery metals and subsequent price performance in 2023.

In the near term, global economic growth is likely to continue to be challenged by high inflation, geopolitical tensions and China's sputtering economy. These challenges are likely to put pressure on commodity prices in 2024. However, the urgency to combat climate change through global initiatives should translate into increased demand for "Green Metals" which include copper, nickel, cobalt, and lithium, amongst others. This increased demand could provide some pricing support for these metals. Despite the near-term challenges, the Investment Advisor and Fund Manager believes we are in a secular bull market for industrial commodities as they are needed to achieve the long-term global decarbonization goals.

While inflation is showing some signs of stabilization, it remains at elevated levels. Despite progress in Central banks' efforts at controlling inflation, they are also slowing down the global economy. The Investment Advisor and Fund Manager believes that economic and geopolitical uncertainty coupled with inflation pressures should cause gold to outperform other asset classes over the medium term. However, implementing monetary tightening programs will likely be measured and muted by the challenge of avoiding a possible recession. Thus, volatility in the gold price is expected in the near term. Gold is generally seen as a haven in times of economic and geopolitical uncertainty.

As for Uranium, advancements in nuclear power utilization should support the commodity's price, although short-term trading may create volatility due to ongoing disruptions in Russian uranium supply and low trading volumes determining the spot price.

The limited partnership's exploration investments provide exposure to various commodities, with the most significant exposure being in gold. In 2023, exploration expenditures and deposit appraisals for precious metals (primarily gold) are expected to account for over 50% of total expenses in Canada. Spending on critical minerals exploration is expected to have increased significantly in 2023.

According to the Government of Canada, spending on Canadian exploration and deposit appraisals is expected to reach \$4.3 billion in 2023<sup>5</sup>. However, due to economic uncertainty and concerns of a recession, this is lower than spending in 2022 of \$4.4 billion, but remains high compared to historical standards. In April 2022, the government announced a doubling of the mineral exploration tax credit to 30% for targeted critical minerals. Additionally, the first critical minerals strategy includes initiatives totaling \$3.8 billion over the next seven years, focusing on nickel, copper, cobalt, rare earth elements, and uranium.

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<sup>5</sup> <https://www.nrcan.gc.ca>

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### 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, 2023
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.01
Total expenses	(1.41)
Realized gains (losses)	-
Unrealized gains (losses)	1.89
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>0.49</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>\$10.49</b>

Net Assets attributable to Limited Partners for Class A - British Columbia, per unit	December 31, 2023
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.01
Total expenses	(1.27)
Realized gains (losses)	-
Unrealized gains (losses)	1.65
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>0.39</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>\$10.39</b>

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<b>Net Assets attributable to Limited Partners for Class A - Quebec, per unit</b>		<b>December 31, 2023</b>
<b>Initial NAV</b>		<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue		0.01
Total expenses		(1.48)
Realized gains (losses)		-
Unrealized gains (losses)		(0.03)
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>		<b>(1.50)</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>\$8.50</b>
<b>Net Assets attributable to Limited Partners for Class F - National Class, per unit</b>		<b>December 31, 2023</b>
<b>Initial NAV</b>		<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>		
Total revenue		0.01
Total expenses		(1.05)
Realized gains (losses)		-
Unrealized gains (losses)		1.84
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>		<b>0.80</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>\$10.80</b>

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<b>Net Assets attributable to Limited Partners for Class F - British Columbia, per unit</b>	<b>December 31, 2023</b>
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.01
Total expenses	(1.06)
Realized gains (losses)	-
Unrealized gains (losses)	1.61
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>0.56</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>\$10.56</b>

<b>Net Assets attributable to Limited Partners for Class F - Quebec, per unit</b>	<b>December 31, 2023</b>
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.01
Total expenses	(1.06)
Realized gains (losses)	-
Unrealized gains (losses)	(0.04)
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.09)</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>\$8.91</b>

(1) This information is derived from the Partnership's December 31, 2023 audited 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, 2023 and the increase (decrease) from operations for the period from commencement on October 24, 2023 to December 31, 2023.

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**Ratios and Supplemental Data**

<b>Class A - National Class</b>	<b>December 31, 2023</b>
Total net asset value (000's)	\$2,563
Number of mutual fund shares outstanding	244,330
Management expense ratio <sup>(1)</sup>	5.99%
Management expense ratio before absorption <sup>(1)</sup>	5.99%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.49

  

<b>Class A - British Columbia</b>	<b>December 31, 2023</b>
Total net asset value (000's)	\$1,066
Number of mutual fund shares outstanding	102,609
Management expense ratio <sup>(1)</sup>	6.02%
Management expense ratio before absorption <sup>(1)</sup>	6.02%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.39

  

<b>Class A - Quebec</b>	<b>December 31, 2023</b>
Total net asset value (000's)	\$1,134
Number of mutual fund shares outstanding	133,400
Management expense ratio <sup>(1)</sup>	7.45%
Management expense ratio before absorption <sup>(1)</sup>	7.45%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$8.50

  

<b>Class F - National Class</b>	<b>December 31, 2023</b>
Total net asset value (000's)	\$2,685
Number of mutual fund shares outstanding	248,540
Management expense ratio <sup>(1)</sup>	5.82%
Management expense ratio before absorption <sup>(1)</sup>	5.82%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.80

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**Ratios and Supplemental Data**

<b>Class F - British Columbia</b>	<b>December 31, 2023</b>
Total net asset value (000's)	\$53
Number of mutual fund shares outstanding	5,000
Management expense ratio <sup>(1)</sup>	5.92%
Management expense ratio before absorption <sup>(1)</sup>	5.92%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.56

<b>Class F - Quebec</b>	<b>December 31, 2023</b>
Total net asset value (000's)	\$233
Number of mutual fund shares outstanding	26,100
Management expense ratio <sup>(1)</sup>	7.10%
Management expense ratio before absorption <sup>(1)</sup>	7.10%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$8.91

<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.

**Management Fees**

There is no management fee.



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#### Summary of Investment Portfolio

As at December 31, 2023, the net assets attributable to limited partnership units was CAD 7,733,033. Below is a breakdown of the investment portfolio as at December 31, 2023, by sector of the top 25 securities and as a percentage of the aggregate net asset value of the securities in the investment portfolio:

<b>Top Holdings</b>	<b>% of Net Assets</b>	<b>Sector/Subgroup</b>	<b>% of Net assets</b>
Independence Gold Corp.	6.16	Mining	101.13
Fathom Nickel Inc.	5.37	Cash	2.11
Canterra Minerals Corp.	4.73	Other assets net of liabilities	(3.25)
Tudor Gold Corp	4.68		100.0
Vortex Energy Corp.	4.44		
Blue Star Gold Corp.	4.07		
Vortex Energy Corp. (Warrants)	4.44		
Cantex Mine Development Corp.	4.07		
Ximen Mining Corp.	3.81		
Fathom Nickel Inc. (Warrants)	3.37		
Stallion Uranium Corp.	3.31		
Brixton Metals Corp.	3.20		
Goldstorm Gold Corp.	3.07		
Metal Energy Corp.	2.91		
MTB Metals Corp.	2.91		
Canada Silver Cobalt	2.83		
Azincourt Energy Corp.	2.59		
Standard Uranium	2.42		
Sanatana Resources Inc.	2.33		
Star Diamond Corporation	2.21		
Emperor Metals Inc.	1.97		
Nine Mile Metals Ltd.	1.94		
Azincourt Energy Corp. (Warrants)	1.89		
Stelmine Canada Ltd.	1.86		
Sanatana Resources Inc. (Warrants)	1.65		

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.