PROBITY MINING 2019-II SHORT DURATION FLOW-THROUGH LIMITED PARTNERSHIP

Financial Statements
June 30, 2020
(Unaudited)

PROBITY MINING 2019 II SHORT DURATION FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Financial Position

As at June 30, 2020 and December 31,2019 (Unaudited)

Assets

	June 30, 2020	Dec 31, 2019
Current assets:		
Cash and cash equivalents	$ 2,601,755	$ 260,379
Investments	9,901,444	9,228,962
	12,503,199	9,489,341

Liabilities

	June 30, 2020	Dec 31, 2019
Current liabilities:		
Accounts payable and accrued liabilities	22,088	188,881
Class net assets attributable to Partners	$ 12,481,111	$ 9,300,460
Net assets attributable to Partners:		
Class A - National Class	$ 5,518,526	$ 4,774,155
Class A - British Columbia	3,027,934	1,970,045
Class A - Quebec	802,705	645,899
Class F - National Class	1,643,632	1,438,466
Class F - British Columbia	204,235	133,519
Class F - Quebec	415,173	338,356
Class P	868,513	10
General Partner	393	10
	$ 12,481,111	$ 9,300,460
Partnership units outstanding (note 4):		
Class A - National Class	497,150	497,150
Class A - British Columbia	204,150	204,150
Class A - Quebec	67,120	67,120
Class F - National Class	143,300	143,300
Class F - British Columbia	13,500	13,500
Class F - Quebec	33,350	33,350
Class P	1	1
General Partner	1	1
Net assets per unit attributable to Limited Partners:		
Class A - National Class	$ 11.10	$ 9.60
Class A - British Columbia	14.83	9.65
Class A - Quebec	11.96	9.62
Class F - National Class	11.47	10.04
Class F - British Columbia	15.13	9.89
Class F - Quebec	12.45	10.15
Class P	868,512.51	10.00
General Partner	392.53	10.00

See accompanying notes to financial statements.

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

(signed) "Peter Christiansen" Director
Peter Christiansen

(signed) "Brent Larkan" Director
Brent Larkan

PROBITY MINING 2019 II SHORT DURATION FLOW -THROUGH LIMITED PARTNERSHIP

Statement of Comprehensive Income

For the six months ended June 30th, 2020
(Unaudited)

Income:		
Unrealized depreciation of investments	$	1,611,504
Gain on sale of investments		1,726,866
Interest and other income		524
		3,338,894
Expenses (note 3):		
Issue costs (note 3)		59,425
Administrative fees		12,945
Audit		15,335
Accounting		19,662
Custodial fees		7,140
Unitholder recordkeeping fees		3,419
Filing fees		1,057
Legal fees		21,176
Transaction costs		13,217
Other operating costs		4,747
Bank charges		120
		158,243
Increase in net assets attributable to Partners from operations	$	3,180,651
Increase in net assets attributable to partners from operations per Class:		
Class A - National Class	$	744,371
Class A - British Columbia		1,057,889
Class A - Quebec		156,806
Class F - National Class		205,166
Class F - British Columbia		70,716
Class F - Quebec		76,817
Class P		868,503
General Partner		383
	$	3,180,651
Increase (decrease) in net assets attributable to partners from operations per unit (note 8)		
Class A - National Class	$	1.50
Class A - British Columbia		5.18
Class A - Quebec		2.34
Class F - National Class		1.43
Class F - British Columbia		5.24
Class F - Quebec		2.30
Class P		868,502.51
General Partner		382.53

See accompanying notes to financial statements.

PROBITY MINING 2019 II SHORT DURATION FLOW-THROUGH LIMITED PARTNERSHIP

Statement of Changes in Net Assets Attributable to Partners

For the six months ended June 30, 2020
(Unaudited)

June 30, 2020		Net assets attributable to partners, beginning of period		Proceeds from issuance		Increase in net assets attributable to partners		Net assets attributable to partners, end of period
Class A - National Class	$	4,774,155	$	-	$	744,371	$	5,518,526
Class A - British Columbia		1,970,045		-		1,057,889		3,027,934
Class A - Quebec		645,899		-		156,806		802,705
Class F - National Class		1,438,466		-		205,166		1,643,632
Class F - British Columbia		133,519		-		70,716		204,235
Class F - Quebec		338,356		-		76,817		415,173
Class P		10		-		868,503		868,513
General Partner		10		-		383		393
	$	9,300,460	$	-	$	3,180,651	$	12,481,111

See accompanying notes to financial statements.

PROBITY MINING 2019 II SHORT DURATION FLOW-THROUGH LIMITED PARTNERSHIP

Statements of Cash Flows

For the six months ended June 30, 2020
(Unaudited)

Cash provided by (used in):	
Operating activities:	
Decrease in net assets attributable to partners from operations	$ 3,180,651
Items not involving cash:	
Unrealized appreciation of investments	(1,611,504)
Realized appreciation of investments	(1,726,866)
Change in non-cash balances:	
Accounts payable and accrued liabilities	(166,793)
Proceeds from Investments:	
Purchase of investments	-
Sale of Investments	2,665,888
	2,341,376
Financing activities:	
Proceeds from issuance of units	-
Increase in cash and cash equivalents	2,341,376
Cash and cash equivalents, beginning of period	260,739
Cash and cash equivalents, end of period	$ 2,601,755

See accompanying notes to financial statements.

PROBITY MINING 2019 II SHORT DURATION FLOW-THROUGH LIMITED PARTNERSHIP

Schedule of Investment Portfolio

As at June 30, 2020
(Unaudited)

	Number of shares	Average cost	Fair value $	Net assets %
Canadian equities mining*:				
Wallbridge Mining Co. National	437,211	$ 492,632	$ 485,304	3.9
Wallbridge Mining Co. Quebec	558,739	629,566	620,200	5.0
Crystal lake Mining Corp.	2,307,693	267,015	380,769	3.1
EnGold Mines Ltd.	2,352,942	200,000	117,647	0.9
Fortune Minerals Ltd.	5,500,000	550,000	440,000	3.5
Frontier Lithium Inc.	588,236	200,000	111,765	0.9
Goliath Resources Ltd.	150,000	112,500	33,000	0.3
Great Atlantic Resources Corp.	421,053	200,000	151,579	1.2
Imperial Mining Group Ltd.	1,666,667	100,000	91,667	0.7
Laurion Mineral Exploration Inc.	2,621,579	498,100	393,237	3.2
Nexus Gold Corp.	2,836,364	156,000	255,273	2.0
PowerOre Inc.	1,228,572	86,000	79,857	0.6
Renforth Resources Inc.	3,185,334	191,120	127,413	1.0
Serengeti Resources Inc.	4,023,167	965,560	965,560	7.7
Sassy Resources Corp.	153,941	38,485	38,485	0.3
Sirios Resources Inc.	1,956,522	450,000	303,261	2.4
Skyharbour Resources Ltd.	1,666,668	300,000	258,334	2.1
Tudor Gold Corp.	1,550,000	775,000	3,162,000	25.3
VR Resources Ltd.	1,315,790	500,000	401,316	3.2
Ximen Mining Corp.	1,023,078	399,000	532,001	4.3
Zonte Metals Inc.	1,666,667	500,000	391,667	3.1
Total equities		7,610,980	9,340,335	74.8
Canadian warrants mining:				
Crystal lake Mining Corp. (expiry 19 May 2021; strike price $0.20)	2,307,693	–	112,604	0.9
EnGold Mines Ltd. (expiry 20 December 2020; strike price $0.10)	1,176,471	–	16,631	0.1
Frontier Lithium Inc. (expiry 20 December 2021; strike price $0.45)	294,118	–	7,604	0.1
Laurion Mineral Exploration Inc. (expiry 01 November 2021; strike price $0.25)	2,631,579	–	53,233	0.4
Nexus Gold Corp. (expiry 23 December 2024; strike price $0.07)	3,636,364	–	258,692	2.1
PowerOre Inc. (expiry 20 December 2021; strike price $0.10)	714,286	–	22,384	0.2
Renforth Resources Inc. (expiry 13 December 2021; strike price $0.10)	3,333,334	–	41,049	0.3
Skyharbour Resources Ltd. (expiry 29 November 2022; strike price $0.22)	833,334	–	48,913	0.4
Total warrants		–	561,109	4.5
Total portfolio of investments	-	7,610,980	9,901,444	79.3
Cash	-	-	2,601,755	21.0
Other net liabilities	-	-	(22,088)	(0.3)
Net assets attributable to Partners (100%)			$ 12,481,111	100.0

See accompanying notes to financial statements.

1. Formation and purpose of the Partnership:

Probity Mining 2019-II Short Duration Flow-Through Limited Partnership (the “Partnership”) was formed on July 30, 2019 as a limited partnership under the laws of the Province of British Columbia, Canada and commenced operations on December 27, 2019. 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 2019-II Mining Flow-Through 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 July 30, 2019, for each Portfolio, ordinary income is allocated among the Partners on the following basis:

(a) firstly, pro-rata to the holders of the National, BC, or Quebec Class Units (as the case may be) to the extent that ordinary losses in respect of the particular Portfolio allocated to the holders of the National, BC, or Quebec Class Units (as the case may be) in prior fiscal years exceeds ordinary income in respect of the particular Portfolio to the holders of such Units;

(b) secondly, to the General Partner 0.01% of the remaining unallocated ordinary income;

(c) thirdly, to the holders of the National, BC, or Quebec Class Units, pro rata in accordance with the proportion of such Units held by the partner to all such Units issued by the Partnership, up to an aggregate cumulative maximum (including prior year allocations and allocations pursuant to paragraph (a) above) not exceeding the gross proceeds of the offering in respect of such Units;

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

(d) fourthly, the balance of the unallocated ordinary income in respect of the particular Portfolio shall be allocated as follows:

(*i*) 30% to the holders of the Class P Units pro rata in accordance with the proportion of the Class P Units held by the partner to the Class P Units issued by the Partnership;

(*ii*) 70% to the holders of the National, BC, or Québec Class Units (as the case may be) pro rata in accordance with the proportion of such Units held by the partner to such Units issued by the Partnership.

100% of ordinary losses and any resource expenditures which qualify as CEE, which are renounced to the Partnership (“Eligible Expenditures”), will be allocated pro rata to the Limited Partners. Taxable income and taxable losses of the Partnership are allocated in the same proportions as ordinary income and ordinary losses, respectively.

Upon dissolution, Limited Partners are entitled to cash distributions on the following basis:

(*i*) firstly, pro rata to holders of Class A Units and Class F Units to an aggregate cumulative maximum (including prior distributions) not exceeding gross proceeds of the offering;

(*ii*) secondly, pro rata to the holders of Class A Units, Class F Units, and Class P Units as determined after the distribution of cash pursuant to paragraph (b).

In order to provide Limited Partners with enhanced liquidity, the General Partner intends, if all necessary approvals are obtained, to implement a Liquidity Alternative. The General Partner intends to implement the Liquidity Alternative before March 31, 2021, provided that the dissolution of the Partnership will not occur prior to April 1, 2020. with the exact timing to be determined based primarily on the Investment Advisor and Fund Manager’s equity market trend outlook during that time. The General Partner intends that the Liquidity Alternative 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.

These financial statements were authorized for issue by the Board of Directors of the General Partner on August 21, 2020.

2. Significant accounting policies:

(a) Basis of preparation and statement of compliance:

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

(b) Basis of measurement:

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

The following is a summary of significant accounting policies used by the Partnership:

(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.

(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.

2. Significant accounting policies (continued):

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.

2. Significant accounting policies (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.

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

(*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.

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 recognized 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 July 30, 2019 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.

2. Significant accounting policies (continued):

(h) Net assets attributable to partners:

The Partnership Agreement between the General Partner and each of the Limited Partners dated July 30, 2019 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) Critical 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.

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 January 1st to June 30th, 2020 is as follows:

June 30th, 2020	Issue costs associated with issuance of units
Class A – National Class	$ (30,819.96)
Class A – British Columbia	(12,655.93)
Class A – Quebec	(4,160.99)
Class F – National Class	(8,883.64)
Class F – British Columbia	(836.91)
Class F – Quebec	(2,067.48)
	$ (59,424.90)

(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.

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 3,000,000 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.

4. Partners' interest (continued):

(a) Issued and outstanding:

The Partnership completed its final offering on December 31, 2019 and issued 958,572 Partnership Units (497,150 units of Class A - National Class, 204,150 units of Class A - British Columbia, 67,120 units of Class A – Quebec, 143,300 units of Class F - National Class, 13,500 units of Class F - British Columbia, 33,350 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 $9,585,720. All Units issued were outstanding as June 30, 2020.

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 June 30th, 2020. 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 June 30, 2020.

June 30, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Equities	$ 9,340,335	$ -	$ -	$ 9,340,335
Warrants	-	$ 561,109	-	$ 561,109
	$ 9,340,335	$ 561,109	$ -	$ 9,901,444

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Equities	$ 8,773,911	$ -	$ -	$ 8,773,911
Warrants	-	$ 455,051	-	$ 455,051
	$ 8,773,911	$ 455,051	$ -	$ 9,228,962

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

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.

As at June 30, 2020, the level 2 warrants of $ 561,109 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.

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.

6. Financial instruments risk management (continued):

(a) Market risk (continued):

Price risk (continued):

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 June 30, 2020, 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 $934,033

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.

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 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 June 30, 2020, 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.

8. Increase in net assets attributable to partners:

The increase in net assets attributable to Limited Partners per Partnership Unit for the period ended June 30, 2020.

June 30, 2020	Increase in net assets attributable to to partners from operations	Weighted average of units outstanding during the period	Increase in net assets attributable to partners from operations per unit
Class A – National Class	$ 744,371	$ 497,150	$ 1.50
Class A – British Columbia	1,057,889	204,150	5.18
Class A – Quebec	156,806	67,120	2.34
Class F – National Class	205,166	143,300	1.43
Class F – British Columbia	70,716	13,500	5.24
Class F – Quebec	76,817	33,350	2.30
Class P	868,503	1	868,502.51
General Partner	383	1	382.53

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

The table below provides a reconciliation of Net Assets per Unit under IFRS 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.

June 30, 2020	Transactional NAV	Adjustment	IFRS net assets
Transactional NAV per unit:			
Class A – National Class	$ 10.72	$ 0.38	$ 11.10
Class A – British Columbia	14.60	0.23	14.83
Class A – Quebec	11.53	0.43	11.96
Class F – National Class	11.07	0.40	11.47
Class F – British Columbia	14.89	0.24	15.13
Class F – Quebec	11.99	0.46	12.45
Class P	722,012.56	146,499.95	868,512.51
General Partner	343.69	48.84	392.53