

**Probity Mining 2021 Short Duration Flow-Through  
Limited Partnership**

2021 Semi-Annual Management  
Report of Partnership Performance

# **Probity Mining 2021 Short Duration Flow-Through Limited Partnership**

## **2021 Semi-Annual Management Report of Fund Performance**

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This semi-annual management report of Partnership performance contains financial highlights but does not contain the complete semi-annual financial statements of Probity Mining 2021 Short Duration Flow-Through Limited Partnership (the “Partnership”). You can get a copy of the financial statements at no cost in the following ways; by calling Qwest Investment Fund Management Ltd. (the “Manager”) at (604) 602-1142 or 1-866-602-1142; by writing to the Manager at, Suite 732, 1055 Dunsmuir Street, Vancouver, BC V7X 1L2; by e-mailing the Manager at [info@qwestfunds.com](mailto:info@qwestfunds.com); or by viewing the information on SEDAR at [www.sedar.com](http://www.sedar.com).

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

### **Management Discussion of Partnership Performance**

#### **Results of Operations**

The Partnership commenced operations on February 11, 2021. During the period ended June 30, 2021, the Partnership issued 399,996 Class A – National Class units, 252,910 Class A – British Columbia units, 83,669 Class A – Quebec units, 208,590 Class F – National Class units, 9,500 Class F – British Columbia units, 43,200 Class F – Quebec units, and 1 Class P unit. As at June 30, 2021, all classes of units issued were outstanding.

Total expenses incurred by the Partnership for the period from commencement of operations on February 11, 2021 to June 30, 2021 were \$1,094,917, comprised mainly of \$916,472 in issue costs, \$111,710 in performance fees, \$42,848 in administrative fees, \$15,923 in accounting fees, and \$3,720 in unitholder recordkeeping fees.

Unrealized appreciation of investments for the six-month period ended June 30, 2021 was \$969,626.

At June 30, 2021, net assets attributable to Limited Partners for Class A – National Class units was \$4,120,745 or \$10.30 per unit, for Class A – British Columbia units was \$2,536,651 or \$10.03 per unit, for Class A – Quebec units was \$572,016 or \$6.84 per unit, for Class F – National Class units was \$2,215,398 or \$10.62 per unit, for Class F – British Columbia units was \$97,548 or \$10.27 per unit, and for Class F – Quebec units was \$311,000 or \$7.20 per unit.

#### **Recent Developments**

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

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

2020 was a consolidation year for commodities therefore it is expected that commodity sectors will generate strength in the years to come. The growing strength of the global economy should ensure this trend continues well into 2021. Notably, the mining industry remains mired with low equity valuations (a reflection of the high cost of capital for the sector), which constitutes a divergence between fundamentals and equity values. Low equity valuations are attractive. It’s believed that investments into the mining sector will benefit as equity valuations rise to reflect the fundamentals within the sector.

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

#### *Gold and Precious Metals*

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

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### *Base and Electric Metals*

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

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

### **Financial Highlights**

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

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

<b>Net Assets attributable to Limited Partners for Class A - National Class, per unit</b>	<b>June 30, 2021</b>
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(1.11)
Realized gains (losses)	-
Unrealized gains (losses)	1.41
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>0.30</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>10.30</b>

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Net Assets attributable to Limited Partners for Class A - British Columbia, per unit	June 30, 2021
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(1.02)
Realized gains (losses)	-
Unrealized gains (losses)	1.05
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>0.03</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>10.03</b>

Net Assets attributable to Limited Partners for Class A - Quebec, per unit	June 30, 2021
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(1.14)
Realized gains (losses)	-
Unrealized gains (losses)	(2.02)
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(3.16)</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>6.84</b>

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Net Assets attributable to Limited Partners for Class F - National Class, per unit	June 30, 2021
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(0.72)
Realized gains (losses)	-
Unrealized gains (losses)	1.34
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>0.62</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>10.62</b>

Net Assets attributable to Limited Partners for Class F - British Columbia, per unit	June 30, 2021
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(0.72)
Realized gains (losses)	-
Unrealized gains (losses)	0.99
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.27)</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>10.27</b>

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Net Assets attributable to Limited Partners for Class F - Quebec, per unit	June 30, 2021
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(0.68)
Realized gains (losses)	-
Unrealized gains (losses)	(2.12)
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(2.80)</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>7.20</b>

(1) This information is derived from the Partnership's June 30, 2021 (unaudited) 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 June 30, 2021 and the increase (decrease) from operations for the period from commencement on February 11, 2021 to June 30, 2021.

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*Ratios and Supplemental Data*

<b>Class A - National Class</b>	<b>June 30, 2021</b>
Total net asset value (000's)	\$4,121
Number of mutual fund shares outstanding	399,996
Management expense ratio <sup>(1)</sup>	1.65%
Management expense ratio before absorption (1)	1.65%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.30

<b>Class A - British Columbia</b>	<b>June 30, 2021</b>
Total net asset value (000's)	\$2,537
Number of mutual fund shares outstanding	252,910
Management expense ratio <sup>(1)</sup>	1.70%
Management expense ratio before absorption (1)	1.70%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.03

<b>Class A - Quebec</b>	<b>June 30, 2021</b>
Total net asset value (000's)	\$572
Number of mutual fund shares outstanding	83,669
Management expense ratio <sup>(1)</sup>	2.29%
Management expense ratio before absorption (1)	2.29%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$6.84

<b>Class F - National Class</b>	<b>June 30, 2021</b>
Total net asset value (000's)	\$2,215
Number of mutual fund shares outstanding	208,590
Management expense ratio <sup>(1)</sup>	1.67%
Management expense ratio before absorption (1)	1.67%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.62

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<b>Class F - British Columbia</b>	<b>June 30, 2021</b>
Total net asset value (000's)	\$98
Number of mutual fund shares outstanding	9,500
Management expense ratio <sup>(1)</sup>	1.71%
Management expense ratio before absorption (1)	1.71%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.27

<b>Class F - Quebec</b>	<b>June 30, 2021</b>
Total net asset value (000's)	\$311
Number of mutual fund shares outstanding	43,200
Management expense ratio <sup>(1)</sup>	2.29%
Management expense ratio before absorption (1)	2.29%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$7.20

<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 June 30, 2021, the net assets attributable to limited partnership units was CAD 9,853,379. Below is a breakdown of the investment portfolio as at June 30, 2021, 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>
Metallis Resources Inc.	9.34	Mining	95.85
Red Moon Resources Inc.	9.20	Cash	6.33
VR Resources Ltd.	7.27	Other assets net of liabilities	(2.18)
Ethos Gold Corp.	7.03		100.00
Strikepoint Gold Inc.	6.09		
Great Atlantic Resources Corp.	5.35		
Genesis Metals Corp.	4.57		
Forum Energy Metals Corp.	4.06		
Red Moon Resources Inc. (Warrants)	3.98		
Avalon Advanced Materials Inc.	3.93		
Vision Lithium Inc.	3.11		
Frontier Lithium Inc.	3.04		
Gambier Gold Corp.	3.04		
Etruscus Resources Corp.	2.96		
IMC International Mining Corp.	2.89		
Rockridge Resources Inc.	2.61		
Metallis Resources Inc. (Warrants)	1.96		
Focus Graphite Inc.	1.90		
Beauce Gold Fields Inc.	1.78		
Strikepoint Gold Inc. (Warrants)	1.72		
Ethos Gold Corp. (Warrants)	1.62		
Lomiko Metals Inc.	1.61		
Vision Lithium Inc. (Warrants)	1.39		
Great Atlantic Resources Corp. (Warrants)	1.13		
Forum Energy Metals Corp. (Warrants)	1.01		

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.