

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

2022 Semi-Annual Management  
Report of Fund Performance

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

## **2022 Semi-Annual Management Report of Fund Performance**

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This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of Probity Mining 2021-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 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 Fund Performance**

#### **Results of Operations**

The Partnership commenced operations on August 19, 2021. The Partnership issued 1,240,913 Class A – National Class units, 544,460 Class A – British Columbia units, 371,740 Class A – Quebec units, 714,800 Class F – National Class units, 21,300 Class F – British Columbia units, 85,150 Class F – Quebec units, and 1 Class P unit. As at June 30, 2022, all classes of units issued were outstanding.

Total expenses incurred by the Partnership for the six-month period ended June 30, 2022 were \$139,400, comprised mainly of \$44,220 in audit, \$35,988 in fund manager fee, \$20,180 in commissions and fee, and \$18,923 in administrative fees.

Net realized loss on sale of investments for the six-month period ended June 30, 2022 was \$2,480,427. Unrealized depreciation of investments for the six-month period ended June 30, 2022 was \$14,061,084.

At June 30, 2022, net assets attributable to Limited Partners for Class A – National Class units was \$5,545,607 or \$4.47 per unit, for Class A – British Columbia units was \$2,238,964 or \$4.38 per unit, for Class A – Quebec units was \$1,079,609 or \$2.90 per unit, for Class F – National Class units was \$3,314,755 or \$4.64 per unit, for Class F – British Columbia units was \$95,414 or \$4.48 per unit, and for Class F – Quebec units was \$259,325 or \$3.05 per unit.

#### **Recent Developments**

Commodity exploration companies experienced a difficult first half in 2022, with the S&P/TSX venture metals and mining index down 32%. Meanwhile, gold and copper declined by 1% and 17%, respectively.

Global inflation rates have increased dramatically in 2022, mainly because of the war in Ukraine and CV19-related monetary stimulus policies. In the US, rising inflation rates triggered an aggressive response by the federal reserve that saw the fed funds rate increase by 1.5%. The fed’s response to control inflation caused a risk-off trade which impacted risky assets. Early-stage – high beta - companies, including commodity explorers, experienced some of the sharpest declines in their stock prices.

In the first half of 2022, the gold price outperformed major equity market indices, including the S&P500 and the NASDAQ, which declined by more than 20% and 30%, respectively. Gold is generally seen as a haven in the times of economic and geopolitical uncertainty we are experiencing today.

Industrial commodities, including battery metals, also held up better than some major equity indices in the first half of 2022. However, prices declined from recent peaks - despite the continued strength in demand for electric cars - due to increased fears of a significant economic slowdown and the possibility of a recession caused by the interest rate hikes. Uranium prices followed the same trend seen by industrial metals. However, issues supplying enriched uranium from Russia kept prices supported.

The fund manager believes we are in a secular bull market for industrial commodities. Electrification and the global push to combat climate change are expected to provide demand support, especially as quality deposits become harder to find. In the near term, supply chain constraints and increased enthusiasm about green economy initiatives will continue to raise

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### **Recent Developments (continued)**

these metals' prices. As for precious metals, geopolitical uncertainty coupled with rapidly rising inflation pressures should cause gold to outperform other asset classes over the medium term. The US and major central banks have started prioritizing inflation control and slowing down their economies. 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. Lastly, advancements in nuclear power utilization should support uranium prices. However, short-term trading may create volatility as the spot price is discovered with low volumes.

The limited partnership's exploration investments provide exposure to various commodities. The most significant exposure is gold, which is no surprise as in 2021, precious metals (mainly gold) accounted for more than two-thirds of exploration expenditures in Canada.

The government of Canada estimates the 2022 exploration and deposit appraisal expenditures to reach \$3.7 billion in 2022. In April, the government announced doubling the mineral exploration tax credit to 30% for targeted critical minerals in the 2022 federal budget. In addition to the tax credit increase, this first critical minerals strategy's initiatives total \$3.8 billion over the next eight years and it includes nickel, copper, cobalt, rare earth elements, and uranium.

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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 | June 30, 2022   | December 31, 2021 |
|--|-----------------|-------------------|
| <b>Initial NAV</b>   | <b>\$ 10.16</b> | <b>\$ 10.00</b>   |
| <b>Increase (decrease) from operations:</b>  |                 |                   |
| Total revenue  | 0.01            | 0.34              |
| Total expenses   | (0.04)          | (0.88)            |
| Realized gains (losses)  | (0.86)          | -                 |
| Unrealized gains (losses)  | (4.80)          | 0.70              |
| <b>Total Increase (decrease) from operations <sup>(2)</sup></b>                    | <b>(5.69)</b>   | <b>0.16</b>       |
| <b>Distributions:</b>  |                 |                   |
| From dividends   | -               | -                 |
| From capital gains   | -               | -                 |
| <b>Total distributions</b>   | <b>-</b>        | <b>-</b>          |
| <b>Net assets attributable to holders of redeemable shares at end of period</b>    | <b>4.47</b>     | <b>10.16</b>      |

| Net Assets attributable to Limited Partners for Class A – British Columbia, per unit | June 30, 2022  | December 31, 2021 |
|--|----------------|-------------------|
| <b>Initial NAV</b>   | <b>\$ 9.71</b> | <b>\$ 10.00</b>   |
| <b>Increase (decrease) from operations:</b>  |                |                   |
| Total revenue  | 0.48           | (0.07)            |
| Total expenses   | (0.04)         | (0.76)            |
| Realized gains (losses)  | (0.90)         | -                 |
| Unrealized gains (losses)  | (4.33)         | 0.54              |
| <b>Total Increase (decrease) from operations <sup>(2)</sup></b>                      | <b>(4.79)</b>  | <b>(0.29)</b>     |
| <b>Distributions:</b>  |                |                   |
| From dividends   | -              | -                 |
| From capital gains   | -              | -                 |
| <b>Total distributions</b>   | <b>-</b>       | <b>-</b>          |
| <b>Net assets attributable to holders of redeemable shares at end of period</b>      | <b>4.38</b>    | <b>9.71</b>       |

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**Financial Highlights (continued)**

| <b>Net Assets attributable to Limited Partners for Class A –<br/>Quebec, per unit</b> | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| <b>Initial NAV</b>  | <b>\$ 7.80</b>       | <b>\$ 10.00</b>          |
| <b>Increase (decrease) from operations:</b>   |                      |                          |
| Total revenue   | (0.65)               | (1.38)                   |
| Total expenses  | (0.03)               | (0.97)                   |
| Realized gains (losses)   | (0.62)               | -                        |
| Unrealized gains (losses)   | (3.60)               | 0.15                     |
| <b>Total Increase (decrease) from operations<br/>(2)</b>                              | <b>(4.90)</b>        | <b>(2.20)</b>            |
| <b>Distributions:</b>   |                      |                          |
| From dividends  | -                    | -                        |
| From capital gains  | -                    | -                        |
| <b>Total distributions</b>  | <b>-</b>             | <b>-</b>                 |
| <b>Net assets attributable to holders of redeemable shares at<br/>end of period</b>   | <b>2.90</b>          | <b>7.80</b>              |

  

| <b>Net Assets attributable to Limited Partners for Class F -<br/>National Class, per unit</b> | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| <b>Initial NAV</b>  | <b>\$ 10.42</b>      | <b>\$ 10.00</b>          |
| <b>Increase (decrease) from operations:</b>   |                      |                          |
| Total revenue   | 0.02                 | 0.35                     |
| Total expenses  | (0.04)               | (0.55)                   |
| Realized gains (losses)   | (0.89)               | -                        |
| Unrealized gains (losses)   | (4.87)               | 0.62                     |
| <b>Total Increase (decrease) from operations<br/>(2)</b>                                      | <b>(5.78)</b>        | <b>0.42</b>              |
| <b>Distributions:</b>   |                      |                          |
| From dividends  | -                    | -                        |
| From capital gains  | -                    | -                        |
| <b>Total distributions</b>  | <b>-</b>             | <b>-</b>                 |
| <b>Net assets attributable to holders of redeemable shares at<br/>end of period</b>           | <b>4.64</b>          | <b>10.42</b>             |

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**Financial Highlights (continued)**

| <b>Net Assets attributable to Limited Partners for Class F –<br/>British Columbia, per unit</b> | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| <b>Initial NAV</b>  | <b>\$ 9.93</b>       | <b>\$ 10.00</b>          |
| <b>Increase (decrease) from operations:</b>   |                      |                          |
| Total revenue   | 0.50                 | (0.07)                   |
| Total expenses  | (0.04)               | (0.55)                   |
| Realized gains (losses)   | (0.92)               | -                        |
| Unrealized gains (losses)   | (4.98)               | 0.55                     |
| <b>Total Increase (decrease) from operations<br/>(2)</b>  | <b>(5.45)</b>        | <b>(0.07)</b>            |
| <b>Distributions:</b>   |                      |                          |
| From dividends  | -                    | -                        |
| From capital gains  | -                    | -                        |
| <b>Total distributions</b>  | <b>-</b>             | <b>-</b>                 |
| <b>Net assets attributable to holders of redeemable shares at<br/>end of period</b>             | <b>4.48</b>          | <b>9.93</b>              |

| <b>Net Assets attributable to Limited Partners for Class F -<br/>Quebec, per unit</b> | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| <b>Initial NAV</b>  | <b>\$ 8.17</b>       | <b>\$ 10.00</b>          |
| <b>Increase (decrease) from operations:</b>   |                      |                          |
| Total revenue   | (0.68)               | (1.45)                   |
| Total expenses  | (0.03)               | (0.54)                   |
| Realized gains (losses)   | (0.65)               | -                        |
| Unrealized gains (losses)   | (3.77)               | 0.16                     |
| <b>Total Increase (decrease) from operations<br/>(2)</b>                              | <b>(5.12)</b>        | <b>(1.83)</b>            |
| <b>Distributions:</b>   |                      |                          |
| From dividends  | -                    | -                        |
| From capital gains  | -                    | -                        |
| <b>Total distributions</b>  | <b>-</b>             | <b>-</b>                 |
| <b>Net assets attributable to holders of redeemable shares at<br/>end of period</b>   | <b>3.05</b>          | <b>8.17</b>              |

(1) This information is derived from the Partnership's June 30, 2022 unaudited and December 31, 2021 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 June 30, 2022 and December 31, 2021 respectively and the increase (decrease) from operations for six-month period ended June 30, 2022 and the increase (decrease) from operations for the period from commencement on August 19, 2021 to December 31, 2021.

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**Ratios and Supplemental Data**

| <b>Class A - National Class</b>                           | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| Total net asset value (000's)                             | \$5,546              | \$12,603                 |
| Number of mutual fund shares outstanding                  | 1,240,913            | 1,240,913                |
| Management expense ratio <sup>(1)</sup>                   | 2.07%                | 0.66%                    |
| Management expense ratio before absorption <sup>(1)</sup> | 2.07%                | 0.66%                    |
| Portfolio turnover rate <sup>(2)</sup>                    | 0.00%                | 0.00%                    |
| Trading expense ratio <sup>(3)</sup>                      | 0.21%                | 0.00%                    |
| Net asset value per share                                 | \$4.47               | \$10.16                  |

| <b>Class A – British Columbia</b>                         | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| Total net asset value (000's)                             | \$2,383              | \$5,284                  |
| Number of mutual fund shares outstanding                  | 544,460              | 544,460                  |
| Management expense ratio <sup>(1)</sup>                   | 2.21%                | 0.70%                    |
| Management expense ratio before absorption <sup>(1)</sup> | 2.21%                | 0.70%                    |
| Portfolio turnover rate <sup>(2)</sup>                    | 0.00%                | 0.00%                    |
| Trading expense ratio <sup>(3)</sup>                      | 0.21%                | 0.00%                    |
| Net asset value per share                                 | \$4.38               | \$9.71                   |

| <b>Class A – Quebec</b>                                   | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| Total net asset value (000's)                             | \$1,080              | \$2,898                  |
| Number of mutual fund shares outstanding                  | 371,740              | 371,740                  |
| Management expense ratio <sup>(1)</sup>                   | 2.52%                | 0.85%                    |
| Management expense ratio before absorption <sup>(1)</sup> | 2.52%                | 0.85%                    |
| Portfolio turnover rate <sup>(2)</sup>                    | 0.00%                | 0.00%                    |
| Trading expense ratio <sup>(3)</sup>                      | 0.21%                | 0.00%                    |
| Net asset value per share                                 | \$2.90               | \$7.80                   |

| <b>Class F – National Class</b>                           | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| Total net asset value (000's)                             | \$3,315              | \$7,450                  |
| Number of mutual fund shares outstanding                  | 714,800              | 714,800                  |
| Management expense ratio <sup>(1)</sup>                   | 2.07%                | 0.66%                    |
| Management expense ratio before absorption <sup>(1)</sup> | 2.07%                | 0.66%                    |
| Portfolio turnover rate <sup>(2)</sup>                    | 0.00%                | 0.00%                    |
| Trading expense ratio <sup>(3)</sup>                      | 0.21%                | 0.00%                    |
| Net asset value per share                                 | \$4.64               | \$10.42                  |

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**Ratios and Supplemental Data (continued)**

| <b>Class F – British Columbia</b>                         | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| Total net asset value (000's)                             | \$95                 | \$212                    |
| Number of mutual fund shares outstanding                  | 21,300               | 21,300                   |
| Management expense ratio <sup>(1)</sup>                   | 2.21%                | 0.69%                    |
| Management expense ratio before absorption <sup>(1)</sup> | 2.21%                | 0.69%                    |
| Portfolio turnover rate <sup>(2)</sup>                    | 0.00%                | 0.00%                    |
| Trading expense ratio <sup>(3)</sup>                      | 0.21%                | 0.00%                    |
| Net asset value per share                                 | \$4.48               | \$9.93                   |

| <b>Class F – Quebec</b>                                   | <b>June 30, 2022</b> | <b>December 31, 2021</b> |
|---|----------------------|--------------------------|
| Total net asset value (000's)                             | \$259                | \$695                    |
| Number of mutual fund shares outstanding                  | 85,150               | 85,150                   |
| Management expense ratio <sup>(1)</sup>                   | 2.52%                | 0.85%                    |
| Management expense ratio before absorption <sup>(1)</sup> | 2.52%                | 0.85%                    |
| Portfolio turnover rate <sup>(2)</sup>                    | 0.00%                | 0.00%                    |
| Trading expense ratio <sup>(3)</sup>                      | 0.21%                | 0.00%                    |
| Net asset value per share                                 | \$3.05               | \$8.17                   |

<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 fees.

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#### Summary of Investment Portfolio

As at June 30, 2022, the net assets attributable to limited partnership units was CAD 1,2677,694. Below is a breakdown of the investment portfolio as at June 30, 2022, 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> |
|-----------------------------------|------------------------|---------------------------------|------------------------|
| Exploits Discovery Corp.          | 6.01                   | Mining                          | 81.26                  |
| Monarch Mining Corp.              | 5.86                   | Cash                            | 18.78                  |
| ACME Lithium Inc.                 | 5.65                   | Other assets net of liabilities | (0.04)                 |
| P2 Gold Inc.                      | 5.63                   |                                 | 100.00                 |
| Laurion Mineral Exploration Inc.  | 4.60                   |                                 |                        |
| Search Minerals Inc.              | 4.47                   |                                 |                        |
| TDG Gold Corp.                    | 3.89                   |                                 |                        |
| Puma Exploration Inc.             | 3.36                   |                                 |                        |
| Equity Metals Corp.               | 3.24                   |                                 |                        |
| VR Resources Ltd.                 | 2.70                   |                                 |                        |
| Independence Gold Corp.           | 2.68                   |                                 |                        |
| Blue Star Gold Corp               | 2.48                   |                                 |                        |
| Ximen Mining Corp.                | 2.35                   |                                 |                        |
| Romios Gold Resources Inc.        | 2.07                   |                                 |                        |
| Azincourt Energy Corp.            | 1.71                   |                                 |                        |
| Great Atlantic Resources Corp.    | 1.60                   |                                 |                        |
| Rokmaster Resources Corp.         | 1.59                   |                                 |                        |
| Norseman Silver Inc.              | 1.38                   |                                 |                        |
| Opawica Explorations Inc.         | 1.34                   |                                 |                        |
| Northstar Gold Corp.              | 1.32                   |                                 |                        |
| Focus Graphite Inc.               | 1.28                   |                                 |                        |
| Azincourt Energy Corp. (Warrants) | 1.18                   |                                 |                        |
| Granada Gold Mine Inc.            | 1.15                   |                                 |                        |
| Green Battery Minerals Inc.       | 1.12                   |                                 |                        |
| Val d'Or Mining Corp.             | 1.09                   |                                 |                        |

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.