

Probity Mining 2022-II Short Duration Flow- Through Limited Partnership

2022 Annual Management
Report of Partnership Performance

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2022 Annual Management Report of Fund Performance

This annual management report of Partnership performance contains financial highlights but does not contain the complete annual financial statements of Probity Mining 2022-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; or by viewing the information on SEDAR at 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 August 19, 2022. During the year ended December 31, 2022, the Partnership issued 665,352 Class A – National Class units, 83,250 Class A – British Columbia units, 108,370 Class A – Quebec units, 398,181 Class F – National Class units, 13,300 Class F – British Columbia units, 112,200 Class F – Quebec units, and 1 Class P unit. As of December 31, 2022, all classes of units issued were outstanding.

Total expenses incurred by the Partnership for the year from commencement of operations on August 19, 2022 to December 31, 2022 were \$1,301,442, comprised mainly of \$1,107,462 in issue costs, \$45,042 in Administrative Fees, \$42,000 in Audit Fees and \$38,850 in fund manager fee.

Unrealized appreciation of investments for the year ended December 31, 2022 was \$ 115,050.

At December 31, 2022, net assets attributable to Limited Partners for Class A – National Class units was \$6,097,750 or \$9.16 per unit, for Class A – British Columbia units was \$902,501 or \$10.84 per unit, for Class A – Quebec units was \$799,700 or \$7.38 per unit, for Class F – National Class units was \$3,808,225 or \$9.56 per unit, for Class F – British Columbia units was \$147,049 or \$11.06 per unit, and for Class F – Quebec units was \$868,140 or \$7.74 per unit.

Recent Developments

After a sharp sell-off during the first six months of 2022, mining exploration companies have started to see their equity prices stabilize. The S&P/TSX venture metals and mining index declined by 32% in 2022 with no change in the latter half of the year. Meanwhile, the gold price remained unchanged in 2022 and the copper price declined by 13%.

The 2022 global inflation rate was 8.8% in 2022, a sharp increase from 4.7% in 2021. The high rate was driven by the war in Ukraine and CV19-related monetary stimulus policies. In the US, rising inflation triggered an aggressive response by the federal reserve that saw the fed funds rate increase by 4.25%. Meanwhile, the European central bank and the Bank of England increased their policy rates by 2.5% and 3.25%, respectively in 2022. The rising interest rates 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. Global inflation rates, however, are expected to decline in 2023 and 2024 to 6.6% and 4.3%, respectively.

The gold price outperformed major equity market indices in 2022, including the S&P500 and the NASDAQ, which declined by more than 19% and 33%, respectively. Gold is generally seen as a haven in times of economic and geopolitical uncertainty.

www.spglobal.com

www.tradingeconomics.com

www.federalreserve.gov

www.ecb.europa.eu

www.bankofengland.co.uk

www.imf.org/en/Publications/WEO/Issues/2022/10/11/world-economic-outlook-october-2022

Probity Mining 2022-II Short Duration Flow-Through Limited Partnership

2022 Annual Management Report of Fund Performance

Industrial commodities, including battery metals, also held up better than some major equity indices in 2022. While the copper prices declined by 13%, Lithium and Nickel prices surged by 95% and 43%, respectively. 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.

In the near-term, global economic growth is likely to continue to be challenged by high inflation, the war in Ukraine and China's lockdowns and property market issues. These challenges are likely to put pressure on commodity prices going into 2023. However, the Investment Advisor and Fund Manager believes that 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 and supply chain constraints could provide some pricing support for these metals, especially as quality deposits become harder to find. 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.

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 and/or minimizing the impact of 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 Russian uranium supply continues to be disrupted and 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.

Probity Mining 2022-II Short Duration Flow-Through Limited Partnership

2022 Annual Management Report of Fund Performance

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 year. This information is derived from the Partnership's financial statements.

Net Assets per Limited Partnership unit ⁽¹⁾

Net Assets attributable to Limited Partners for Class A - National Class, per unit	December 31, 2022
Initial NAV	\$ 10.00
Increase (decrease) from operations:	
Total revenue	0.00
Total expenses	(1.07)
Realized gains (losses)	-
Unrealized gains (losses)	0.23
Total Increase (decrease) from operations ⁽²⁾	(0.84)
Distributions:	
From dividends	-
From capital gains	-
Total distributions	-
Net assets attributable to holders of redeemable shares at end of year	\$9.16

Net Assets attributable to Limited Partners for Class A - British Columbia, per unit	December 31, 2022
Initial NAV	\$ 10.00
Increase (decrease) from operations:	
Total revenue	0.00
Total expenses	(0.93)
Realized gains (losses)	-
Unrealized gains (losses)	1.77
Total Increase (decrease) from operations ⁽²⁾	0.84
Distributions:	
From dividends	-
From capital gains	-
Total distributions	-
Net assets attributable to holders of redeemable shares at end of year	\$10.84

Probity Mining 2022-II Short Duration Flow-Through Limited Partnership 2022 Annual Management Report of Fund Performance

Financial Highlights

Net Assets attributable to Limited Partners for Class A - Quebec, per unit		December 31, 2022
Initial NAV	\$	10.00
Increase (decrease) from operations:		
Total revenue		0.00
Total expenses		(1.10)
Realized gains (losses)		-
Unrealized gains (losses)		(1.52)
Total Increase (decrease) from operations ⁽²⁾		(2.62)
Distributions:		
From dividends		-
From capital gains		-
Total distributions		-
Net assets attributable to holders of redeemable shares at end of year		\$7.38

Net Assets attributable to Limited Partners for Class F - National Class, per unit		December 31, 2022
Initial NAV	\$	10.00
Increase (decrease) from operations:		
Total revenue		0.00
Total expenses		(0.69)
Realized gains (losses)		-
Unrealized gains (losses)		0.25
Total Increase (decrease) from operations ⁽²⁾		(0.44)
Distributions:		
From dividends		-
From capital gains		-
Total distributions		-
Net assets attributable to holders of redeemable shares at end of year		\$9.56

Probity Mining 2022-II Short Duration Flow-Through Limited Partnership 2022 Annual Management Report of Fund Performance

Financial Highlights

Net Assets attributable to Limited Partners for Class F - British Columbia, per unit	December 31, 2022
Initial NAV	\$ 10.00
Increase (decrease) from operations:	
Total revenue	0.00
Total expenses	(0.68)
Realized gains (losses)	-
Unrealized gains (losses)	1.74
Total Increase (decrease) from operations ⁽²⁾	1.06
Distributions:	
From dividends	-
From capital gains	-
Total distributions	-
Net assets attributable to holders of redeemable shares at end of year	\$11.06

Net Assets attributable to Limited Partners for Class F - Quebec, per unit	December 31, 2022
Initial NAV	\$ 10.00
Increase (decrease) from operations:	
Total revenue	0.00
Total expenses	(0.68)
Realized gains (losses)	-
Unrealized gains (losses)	(1.58)
Total Increase (decrease) from operations ⁽²⁾	(2.26)
Distributions:	
From dividends	-
From capital gains	-
Total distributions	-
Net assets attributable to holders of redeemable shares at end of year	\$7.74

(1) This information is derived from the Partnership's December 31, 2022 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, 2022 and the increase (decrease) from operations for the year from commencement on August 19, 2022 to December 31, 2022.

Probity Mining 2022-II Short Duration Flow-Through Limited Partnership **2022 Annual Management Report of Fund Performance**

Ratios and Supplemental Data

Class A - National Class	December 31, 2022
Total net asset value (000's)	\$6,098
Number of mutual fund shares outstanding	665,352
Management expense ratio ⁽¹⁾	2.79%
Management expense ratio before absorption (1)	2.79%
Portfolio turnover rate ⁽²⁾	0.00%
Trading expense ratio ⁽³⁾	0.00%
Net asset value per share	\$9.16
Class A - British Columbia	December 31, 2022
Total net asset value (000's)	\$903
Number of mutual fund shares outstanding	83,250
Management expense ratio ⁽¹⁾	2.40%
Management expense ratio before absorption (1)	2.40%
Portfolio turnover rate ⁽²⁾	0.00%
Trading expense ratio ⁽³⁾	0.00%
Net asset value per share	\$10.84
Class A - Quebec	December 31, 2022
Total net asset value (000's)	\$ 800
Number of mutual fund shares outstanding	108,370
Management expense ratio ⁽¹⁾	3.45%
Management expense ratio before absorption (1)	3.45%
Portfolio turnover rate ⁽²⁾	0.00%
Trading expense ratio ⁽³⁾	0.00%
Net asset value per share	\$7.38
Class F - National Class	December 31, 2022
Total net asset value (000's)	\$3,808
Number of mutual fund shares outstanding	398,181
Management expense ratio ⁽¹⁾	2.79%
Management expense ratio before absorption (1)	2.79%
Portfolio turnover rate ⁽²⁾	0.00%
Trading expense ratio ⁽³⁾	0.00%
Net asset value per share	\$9.56

Probity Mining 2022-II Short Duration Flow-Through Limited Partnership

2022 Annual Management Report of Fund Performance

Ratios and Supplemental Data

Class F - British Columbia	December 31, 2022
Total net asset value (000's)	\$ 147
Number of mutual fund shares outstanding	13,300
Management expense ratio ⁽¹⁾	2.41%
Management expense ratio before absorption (1)	2.41%
Portfolio turnover rate ⁽²⁾	0.00%
Trading expense ratio ⁽³⁾	0.00%
Net asset value per share	\$ 11.06

Class F - Quebec	December 31, 2022
Total net asset value (000's)	\$868
Number of mutual fund shares outstanding	112,200
Management expense ratio ⁽¹⁾	3.45%
Management expense ratio before absorption (1)	3.45%
Portfolio turnover rate ⁽²⁾	0.00%
Trading expense ratio ⁽³⁾	0.00%
Net asset value per share	\$7.74

⁽¹⁾ Management expense ratio ("MER") is based on total expenses less commissions for the stated year and is expressed as an annualized percentage of monthly average net assets during the year.

⁽²⁾ 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 year. The higher a portfolio turnover rate is in a year, the greater the trading costs payable by the Partnership in the year, and the greater the chance of an investor receiving taxable capital gain in the year. There is not necessarily a relationship between turnover rate and the performance of a portfolio.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of average net assets during the year.

Management Fees

There is no management fee.

Probity Mining 2022-II Short Duration Flow-Through Limited Partnership

2022 Annual Management Report of Fund Performance

Summary of Investment Portfolio

As at December 31, 2022, the net assets attributable to limited partnership units was CAD 12,623,385. Below is a breakdown of the investment portfolio as at December 31, 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:

Top Holdings	% of Net Assets	Sector/Subgroup	% of Net assets
Canada Silver Cobalt Works Inc.	5.4	Mining	99.4
CMC Metals Ltd.	4.5	Cash	1.7
Tower Resources Ltd.	4.5	Other assets net of liabilities	(1.1)
Manganese X Energy Corp.	4.0		100.0
Nine Mile Metals Ltd	3.6		
Defense Metals Corp.	3.6		
Copper Lake Resources Ltd.	3.5		
Forum Energy Metals Corp.	3.5		
Braveheart Resources Inc.	3.5		
Garibaldi Resources Corp.	3.3		
Delta Resources Ltd.	2.9		
Mountain Boy Minerals Ltd.	2.7		
Noble Mineral Exploration Inc.	2.6		
Marvel Discovery Corp.	2.4		
Thunder Gold Corp.	2.4		
Sirios Resources Inc.	2.4		
Fathom Nickel Inc.	2.4		
Tower Resources Ltd.(Warrants)	2.2		
Benton Resources Inc.	2.1		
Braveheart Resources Inc. (Warrants)	2.1		
X-Terra Resources Inc.	2.1		
Northstar Gold Corp.	2.0		
Standard Uranium Ltd.	1.8		
Quebec Nickel Corp.	1.8		
Emperor Metals Inc.	1.7		

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.

Probity Mining 2022-II Short Duration Flow-Through Limited Partnership

2022 Annual Management Report of Fund Performance

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.