

# **Probity Mining 2024-II Short Duration Flow- Through Limited Partnership**

2024 Annual Management  
Report of Fund Performance

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## **2024 Annual Management Report of Fund Performance**

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of Probity Mining 2024-II Short Duration Flow-Through Limited Partnership (the “Partnership”). You can get a copy of the financial statements at no cost in the following ways; by calling Qwest Investment Fund Management Ltd. (the “Manager”) at 604-602-1142 or 1-866-602-1142; by writing to the Manager at, Suite 702, 1030 West Georgia Street, Vancouver, BC V6E 2Y3; by e-mailing the Manager at [info@qwestfunds.com](mailto:info@qwestfunds.com); or by viewing the information on SEDAR at [www.sedar.com](http://www.sedar.com).

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

### **Management Discussion of Fund Performance**

#### **Results of Operations**

The Partnership commenced operations on October 25, 2024. During the period ended December 31, 2024, the Partnership issued 628,239 Class A – National Class units, 96,000 Class A – British Columbia units, 140,650 Class A – Quebec units, 246,600 Class F – National Class units, 28,900 Class F – British Columbia units, 75,500 Class F – Quebec units, and 1 Class P unit. As at December 31, 2024, all classes of units issued were outstanding.

Total expenses incurred by the Partnership for the period from commencement of operations on October 25, 2024 to December 31, 2024 were \$1,376,184, comprised mainly of \$1,135,165 in issue costs, \$70,127 in legal fees, \$51,048 in administrative fees, \$49,384 in audit fees and \$38,850 in fund manager fee.

Unrealized appreciation of investments for the period ended December 31, 2024 was \$ 445,970.

At December 31, 2024, net assets attributable to Limited Partners for Class A – National Class units was \$5,664,097 or \$9.02 per unit, for Class A – British Columbia units was \$844,371 or \$8.80 per unit, for Class A – Quebec units was \$1,365,984 or \$9.71 per unit, for Class F – National Class units was \$2,327,861 or \$9.44 per unit, for Class F – British Columbia units was \$265,140 or \$9.17 per unit, and for Class F – Quebec units was \$766,233 or \$10.15 per unit.

#### **Recent Developments**

In 2024, the general performance of tracked commodity prices has been strong. Copper prices surged significantly, reaching a peak of \$11,464 per tonne in May. This rally was driven by tight supply conditions, including production cuts from major mines and increased demand from the renewable energy sector and electric vehicle production. By the end of June, prices had pulled back due to weaker manufacturing data globally and increased inventories in China, which indicated a temporary softening of demand. In the second half of the year, copper prices experienced some volatility due to a risk-off sentiment and speculative positioning, partially offset by renewed optimism regarding Chinese stimulus measures and the US Federal Reserve interest rate cuts. Despite increasing demand from sectors tied to the energy transition, copper remained in surplus for much of 2024. Year to date (“YTD”), the copper price increased by 7%.

The gold market experienced significant growth in 2024, driven by a combination of economic, geopolitical, and market factors. Central banks, particularly in China, continued to buy gold in significant quantities. This trend of bolstering gold reserves along with strong Chinese investor sentiment has provided substantial support to gold prices. The Federal Reserve rate cuts and the wars in Europe and the Middle East added momentum to gold's upward trajectory. Gold prices reached an all-time high of \$2,785 per ounce on October 30th and posted a 28% return YTD.

As for battery metals, nickel prices exhibited notable volatility in 2024, influenced by various market dynamics. After reaching a yearly high of \$21,615 per metric ton in May, prices began to decline sharply due to oversupply and weak demand fundamentals. Demand for nickel from the EV battery sector continued to grow rapidly. However, this demand has not yet been sufficient to offset the oversupply in the market. YTD, the nickel price declined by 6%. The lithium price underperformed other metals’ prices and declined by 22% YTD. Prices hit a three-year low of \$10,019 per tonne in September, reflecting weaker demand and high inventories, particularly in China.

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

The uranium price showed a declining trend in 2024. Despite the 18% decline YTD, the uranium price remains at multi-year highs driven by the global shift to nuclear energy as a source of clean power and supply challenges. Supply challenges mainly include the US ban on Russian imports, production challenges in Kazakhstan, and a shortage of sulfuric acid, which is an input for uranium extraction. At the COP28 summit, over 20 countries, including the United States, Canada, France, and Japan, launched a declaration to triple nuclear energy capacity by 2050.

The S&P/TSX Venture Metals and Mining Index exhibited price volatility in 2024. The venture index posted a 28% price appreciation in October from the multi-year low in February, before ending the year-to-date period down 6%.

The availability of risk capital continues to be a challenge in light of the high -interest- rate environment. Global central banks have raised policy interest rates from early 2022 to mid-2023 to lower inflation and meet policy targets. In 2024, global inflation has shown signs of easing but remains elevated compared to pre-pandemic levels.

In 2024, major central banks adopted divergent monetary policy approaches based on their respective economic conditions, inflation trends, and growth prospects. The US Federal Reserve has cut interest rates three times, the first reduction was for 50 basis points in September, followed by a second and third smaller 25 basis point cuts in November and December, bringing the federal funds rate to a range of 4.25%-4.50%. Meanwhile, the Bank of Canada has cut interest rates five times in 2024, and most recently down to 3.25% in December.

According to the International Monetary Fund ("IMF"), global headline inflation is expected to fall to 3.5% by the end of 2025, down from its peak of 9.4% in late 2022, reflecting a gradual reduction in price pressures. Global growth is expected to remain stable at 3.2% in 2024 and 2025.

The Investment Advisor and Fund Manager believes while the global economic picture is showing signs of stabilization and perhaps improvement, geopolitical tensions and structural challenges remain significant. However, the urgency to combat climate change through global initiatives should translate into increased demand for "Green Metals," which include copper, nickel, and lithium, among others. This increased demand could provide some pricing support for these metals. Despite the near-term challenges, the Investment Advisor and Fund Manager believes we are in a secular bull market for industrial commodities, as they are needed to achieve the long-term global decarbonization goals.

The various Probity limited partnership's' exploration investments provide exposure to various commodities. According to Natural Resources Canada, in 2024, mineral exploration and deposit appraisal expenses in Canada are expected to increase by 5.1% to \$4.1 billion compared to 2023. However, this is still below the \$4.4 billion spent in 2022. Gold exploration is expected to remain the highest expense for a single commodity. Spending on critical minerals exploration is expected to increase compared to prior years. In April 2022, the Canadian government announced a doubling of the mineral exploration tax credit to 30% for targeted critical minerals. Additionally, the first critical minerals strategy includes initiatives totaling \$3.8 billion over an eight-year period.

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### **Financial Highlights**

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

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

Net Assets attributable to Limited Partners for Class A - National Class, per unit	December 31, 2024
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(1.24)
Realized gains (losses)	-
Unrealized gains (losses)	0.26
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.98)</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>9.02</b>

Net Assets attributable to Limited Partners for Class A - British Columbia, per unit	December 31, 2024
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(1.22)
Realized gains (losses)	-
Unrealized gains (losses)	0.02
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.20)</b>
<b>Distributions:</b>	
From dividends	-
From capital gains	-
<b>Total distributions</b>	<b>-</b>
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>8.80</b>

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## **Financial Highlights (continued)**

<b>Net Assets attributable to Limited Partners for Class A - Quebec, per unit</b>	<b>December 31, 2024</b>
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(1.26)
Realized gains (losses)	-
Unrealized gains (losses)	0.97
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.29)</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>\$9.71</b>

  

<b>Net Assets attributable to Limited Partners for Class F - National Class, per unit</b>	<b>December 31, 2024</b>
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(0.83)
Realized gains (losses)	-
Unrealized gains (losses)	0.27
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.56)</b>
<b>Distributions:</b>	
From dividends	-
From capital gains	-
<b>Total distributions</b>	<b>-</b>
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>9.44</b>

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## **Financial Highlights (continued)**

<b>Net Assets attributable to Limited Partners for Class F - British Columbia, per unit</b>	<b>December 31, 2024</b>
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(0.85)
Realized gains (losses)	-
Unrealized gains (losses)	0.02
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.83)</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>9.17</b>

<b>Net Assets attributable to Limited Partners for Class F - Quebec, per unit</b>	<b>December 31, 2024</b>
<b>Initial NAV</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	-
Total expenses	(0.81)
Realized gains (losses)	-
Unrealized gains (losses)	0.96
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>0.15</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>10.15</b>

<sup>(1)</sup> This information is derived from the Partnership's December 31, 2024 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.

<sup>(2)</sup> 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, 2024 and the increase (decrease) from operations for the period from commencement on October 25, 2024 to December 31, 2024.

# **Probity Mining 2024-II Short Duration Flow-Through Limited Partnership**

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### **Ratios and Supplemental Data**

<b>Class A - National Class</b>	<b>December 31, 2024</b>
Total net asset value (000's)	\$ 5,664
Number of mutual fund shares outstanding	628,239
Management expense ratio <sup>(1)</sup>	4.41%
Management expense ratio before absorption (1)	4.41%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$ 9.02

<b>Class A - British Columbia</b>	<b>December 31, 2024</b>
Total net asset value (000's)	\$844
Number of mutual fund shares outstanding	96,000
Management expense ratio <sup>(1)</sup>	4.52%
Management expense ratio before absorption (1)	4.52%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$8.80

<b>Class A - Quebec</b>	<b>December 31, 2024</b>
Total net asset value (000's)	\$1,366
Number of mutual fund shares outstanding	140,650
Management expense ratio <sup>(1)</sup>	4.10%
Management expense ratio before absorption (1)	4.10%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$9.71

<b>Class F - National Class</b>	<b>December 31, 2024</b>
Total net asset value (000's)	\$2,328
Number of mutual fund shares outstanding	246,600
Management expense ratio <sup>(1)</sup>	4.21%
Management expense ratio before absorption (1)	4.21%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$9.44

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### **Ratios and Supplemental Data (continued)**

<b>Class F - British Columbia</b>	<b>December 31, 2024</b>
Total net asset value (000's)	\$265
Number of mutual fund shares outstanding	28,900
Management expense ratio <sup>(1)</sup>	4.34%
Management expense ratio before absorption (1)	4.34%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$9.17

<b>Class F - Quebec</b>	<b>December 31, 2024</b>
Total net asset value (000's)	\$766
Number of mutual fund shares outstanding	75,500
Management expense ratio <sup>(1)</sup>	3.92%
Management expense ratio before absorption (1)	3.92%
Portfolio turnover rate <sup>(2)</sup>	0.00%
Trading expense ratio <sup>(3)</sup>	0.00%
Net asset value per share	\$10.15

<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 December 31, 2024, the net assets attributable to limited partnership units was CAD \$11,233,706. Below is a breakdown of the investment portfolio as at December 31, 2024, 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
Tower Resources Ltd.	7.12	Mining	100.02
Cantex Mine Development Corp.	4.09	Cash	2.17
Greenridge Exploration Inc.	4.00	Other assets net of liabilities	(2.19)
Canterra Minerals Corp.	3.71		
Brixton Metals Corp.	3.56		100.00
Canadian Gold Resources Ltd.	3.08		
Saga Metals Corp.	3.04		
LaFleur Minerals Inc.	2.67		
Sun Summit Minerals Corp.	2.58		
Ongold Resources Ltd.	2.57		
Ongold Resources Ltd.	2.57		
Sirios Resources Inc.	2.54		
Ximen Mining Corp.	2.50		
LaFleur Minerals Inc. (Warrants)	2.47		
Renegade Gold Inc.	2.45		
Q-Gold Resources Ltd.	2.34		
Quetzal Copper Corp.	2.20		
Saga Metals Corp.	2.17		
Volt Carbon Technologies Inc.	2.08		
Juggernaut Exploration Ltd.	2.04		
Tower Resources Ltd. (Warrants)	2.01		
Ximen Mining Corp. (Warrants)	1.97		
Appia Rare Earths & Uranium Corp.	1.95		
Canadian Critical Minerals Inc.	1.87		
Brunswick Exploration Inc.	1.86		

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.