



**MARQUEST 2016-II MINING
SUPER FLOW-THROUGH
LIMITED PARTNERSHIP**

NATIONAL CLASS

MARQUEST 2016-II MINING SUPER FLOW –THROUGH LIMITED PARTNERSHIP NATIONAL CLASS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2016

A NOTE ON FORWARD-LOOKING STATEMENTS

This report contains forward looking statements. These statements primarily relate to assessments of future economic and market conditions. Such information has been included to assist readers with assessing recent developments in the Partnership's operating climate and possible future developments that may affect Partnership performance. All forward looking statements are based on management's current beliefs and assumptions which are subject to numerous risks and uncertainties. Statements with respect to future economic and market conditions are based on management's beliefs and assumptions with respect to a range of factors, including market conditions generally and within the sectors in which the Fund's investments operate. While management considers such beliefs and assumptions to be reasonable based on information currently available to it, no assurance can be given that such beliefs and assumptions will prove to be correct. As a result, these forward looking statements would typically include words such as "anticipates, believes, intended or estimated". Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward looking statements as a result of numerous known and unknown risks and uncertainties, including, but not limited to, those associated with economic and market conditions, political stability and other risks identified in the Fund's prospectus. Most of these factors are beyond the control of the Fund and its Manager. Neither the Fund nor its Manager assumes any obligation to update any of the forward looking statements made in this report.

MARQUEST 2016-II MINING SUPER FLOW –THROUGH LIMITED PARTNERSHIP NATIONAL CLASS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2016

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest 2016-II Mining Super Flow-Through Limited Partnership – National Class (the “Partnership”). You can get a copy of the annual financial statement at your request, and at no cost, from the manager Marquest Asset Management Inc. (the “Manager”) by calling 1-888-964-3533, by writing to us at Suite 4420, 161 Bay Street, PO Box 204, Toronto, Ontario, M5J 2S1 or by visiting our website at www.marquest.ca or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the National Class proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Fund Performance

The Partnership

Marquest 2016-II Mining Super Flow-Through Limited Partnership is a limited partnership established under the laws of the Province of Ontario with two classes of units – National Class Limited Partnership Units (the “National Class”) and Québec Class Limited Partnership Units. Each class of limited partnership units is a separate non-redeemable investment fund for securities laws purposes and has its own investment portfolio and investment objectives. The National Class investment portfolio is intended for investors in all provinces of Canada. The National Class was first offered on September 29, 2016 and issued 1,121,020 units for gross proceeds of \$11,210,200 during its offering period.

Investment Objectives and Strategies

The National Class primary investment objective is to invest in flow-through shares (under Canadian tax legislation) (“Flow-Through Shares”) of resource issuers (which are acceptable under Canadian tax legislation) engaged in mineral or oil and gas exploration and/or development in Canada, with a view to maximizing the tax benefit of an investment in units of the National Class, preserving capital and achieving capital appreciation for the National Class Limited Partners.

Investments will be made in the resource sector with the objective of creating a diversified portfolio of investments in resource issuers engaged in mineral exploration and/or development across Canada. The Manager has invested a minimum of 50% of the portfolio in companies with a minimum market capitalization of \$50 million. The National Class intends to focus on companies in the intermediate and junior resource sector and companies with advanced exploration programs which:

- represent good value in relation to the market price of the Resource Issuer's shares;
- have experienced and capable senior management;
- have a strong exploration program in place; and
- offer potential for future growth.

Management of the investment portfolio may involve the sale of Flow-Through Shares held by the National Class (for example, in the event a take-over bid is made for such shares) and the reinvestment of the net proceeds from any such dispositions in additional shares of Resource Issuers.

Risks

There are risks associated with investing in the National Class. There have been no changes to the National Class which affect the risks associated with investing in the National Class during the period. Specific risk information can be found in the National Class prospectus available through our website at www.marquest.ca or at SEDAR's website www.sedar.com.

MARQUEST 2016-II MINING SUPER FLOW –THROUGH LIMITED PARTNERSHIP NATIONAL CLASS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2016

Results of Operations

The National Class issued 1,121,020 units for gross proceeds of \$11,210,200 during its initial public offering, which was completed on October 21, 2016. As at December 31, 2016, the proceeds raised during the initial public offering were fully invested in the National Class portfolio.

As at December 31, 2016 the Partnership's total NAV was \$7,745,682, a decrease of 30.91% since the closing of the initial offering. The change is due to net unrealized depreciation on investments of \$2,607,577, management fees of \$47,946 and offering expenses of \$769,734.

Recent Developments

The Portfolio Manager believes the mining sector is in the early stages of a recovery which will be driven by improved commodity prices, an expansion of demand and relatively cheap valuations of mining stocks. The improvement in both pricing and volumes will have a significant impact on the profit margins of the industry due to the rationalization of costs undertaken by the industry over the past five years.

Commodity prices had been under pressure from 2011 to 2016 due in the portfolio manager's view, from excess inventories created by the massive investment in the commodity industries between 2004 and 2010. In the past five years inventories have been worked down due to a combination of industry restructuring, a reduction in production of margin mines and a significant slowing of investment in the mining industry. The supply/demand balance is critical to the outlook of metal prices. Copper for example has recently moved into a deficit position at the same time that production has declined due in part to a decline in capital spending. The Portfolio Manager believes that the improved outlook for global economic growth will support higher base metal prices. As at year end the Partnership held 38.94% of the portfolio in base metal companies.

Related Party Transactions

MQ 2016-II SD Limited Partnership (the General Partner) is the general partner of the Partnership. The General Partner has the responsibility for the management of the ongoing business, investment and administrative affairs of the Partnership, but has delegated the direction of the day-to-day business, operations and affairs of the Partnership to the Portfolio Manager. The Partnership is responsible for paying management fees to the General Partner equal to 2% of the NAV of the Partnership's assets.

During the period, \$47,946 in management fees (including HST) was charged by the General Partner.

MARQUEST 2016-II MINING SUPER FLOW –THROUGH LIMITED PARTNERSHIP NATIONAL CLASS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2016

Financial Highlights

The following tables show selected key financial information about the National Class and are intended to help you understand the National Class financial performance since inception. The information is derived from the National Class audited annual financial statements.

Marquest 2016-I Mining Super Flow-Through Limited Partnership - National Class Units*	
Net Assets per Unit (\$) ⁽¹⁾	
	2016*
Net assets, beginning of the year ⁽²⁾	10.00
Increase (decrease) from operations:	
Total revenue	-
Total expenses	(0.08)
Realized gains (losses) for the year	-
Unrealized gains (losses) for the year	(2.32)
Total increase (decrease) from operations ⁽²⁾	(2.40)
Distributions:	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total annual distributions ⁽³⁾	-
Net assets at December 31st of year shown	6.91

Notes:

⁽¹⁾ This information is derived from the National Class audited annual financial statements. The net assets attributable to partners per unit presented in the financial statements may differ from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to financial statements, if applicable.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽³⁾ Distributions were paid in cash or re-invested in additional units of the National Class.

* The financial information is for the period September 29, 2016 - December 31, 2016.

MARQUEST 2016-II MINING SUPER FLOW –THROUGH LIMITED PARTNERSHIP NATIONAL CLASS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2016

Financial Highlights (continued)

Ratios and Supplemental Data		2016*
Total net asset value (000's) ⁽¹⁾		\$ 7,746
Number of units outstanding ⁽¹⁾		1,121,020
Management expense ratio ⁽²⁾		41.87%
Management expense ratio before waivers or absorption ⁽⁵⁾		41.87%
Trading expense ratio ⁽³⁾		-
Portfolio turnover rate ⁽⁴⁾		-
Net asset value per share ⁽¹⁾		\$6.91

Notes:

⁽¹⁾ The information is provided as at December 31st of the year shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Excluding issuance costs, the management expense ratio for the period ended December 31, 2016 was 7.02% .

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

⁽⁴⁾ The National Class portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the National Class portfolio turnover rate in a year, the greater the trading costs payable by the National Class in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the National Class.

⁽⁵⁾ Waivers and absorption of certain expenses associated with the Fund are at the Manager's discretion and may be terminated at any time.

* The financial information is for the period September 29, 2016 - December 31, 2016.

MARQUEST 2016-II MINING SUPER FLOW –THROUGH LIMITED PARTNERSHIP NATIONAL CLASS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2016

Past Performance

In accordance with National Instrument 81-106, performance data for the Partnership will be shown after the Partnership has been operational for at least 12 consecutive months.

Annual Compound Returns

In accordance with National Instrument 81-106, performance data for the Partnership will be shown after the Partnership has been operational for at least 12 consecutive months.

MARQUEST 2016-II MINING SUPER FLOW –THROUGH LIMITED PARTNERSHIP NATIONAL CLASS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2016

Summary of Investment portfolio

The tables below provide information about the investment portfolio of the National Class, including a breakdown of the National Class' portfolio into subgroups and the Top 25 positions held by the National Class as a percentage of NAV. The National class held less than 25 holdings as at the end of the year.

Total Net Asset Value: \$ 7,745,682

Portfolio Allocation

	% of Fund's Net Asset Value
Precious Metals	58.50%
Base Metals	38.45%
Cash	5.32%
Net other assets (liabilities)	-2.27%
	<hr/> 100.00%

Top 25 Holdings

	% of Fund's Net Asset Value
1 Noront Resources Ltd.	10.76%
2 Shore Gold Inc.	10.56%
3 Gowest Gold Ltd.	10.01%
4 IsoEnergy Ltd.	9.68%
5 Encanto Potash Corp.	9.04%
6 Gold Bullion Development Corp.	8.83%
7 Victoria Gold Corp.	7.58%
8 Metallic Minerals Corp.	7.46%
9 Golden Dawn Minerals Inc.	5.69%
10 Prosper Gold Resources	5.53%
11 Cash	5.32%
12 Avalon Advanced Materials Inc.	4.25%
13 Explor Resources Inc.	2.85%
14 Great Lakes Graphite Inc.	2.66%
15 HPQ Silicon Resources Inc.	2.05%
	<hr/> 102.27%

This summary of investment portfolio may change due to the ongoing portfolio transactions of the National Class and a quarterly update is available at www.marquest.ca. The weightings of the positions are calculated based on total NAV of the portfolio as at December 31, 2016. The National Class does not hold short positions. The prospectus and other information of Marquest 2016-II Mining Super Flow-Through Limited Partnership - National class are available on the internet www.sedar.com.

TORONTO

161 Bay Street
Suite 4420, P.O. Box 204
Toronto, ON M5J 2S1
Phone 416.777.7350
Toll Free 1.877.777.1541

MONTREAL

1155 Robert-Bourassa Boulevard
Suite 905
Montreal, QC H3B 3A7
Phone 514.227.0666
Toll Free 1.866.687.9363

VANCOUVER

1055 West Hastings
Suite 300
Vancouver, BC V6E 2E9
Phone 604.895.7281

CLIENT SERVICES

Phone 416.365.4077
Toll free 1.888.964.3533
clientservices@marquest.ca

WWW.MARQUEST.CA