



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

QUÉBEC CLASS

MARQUEST 2016-II MINING SUPER FLOW –THROUGH LIMITED PARTNERSHIP

QUÉBEC 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.

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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 – Québec Class (the “Partnership”). You can get a copy of the annual financial statements 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 Québec 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 and Québec Class Limited Partnership Units (the “Québec Class”). 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 Québec Class investment portfolio is intended for investors in the province of Québec. The Québec Class was first offered on September 29, 2016 and issued 1,118,932 units for gross proceeds of \$11,189,320 during its offering period.

Investment Objectives and Strategies

The Québec 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 exploration and/or development in the Province of Québec, with a view to maximizing the tax benefit of an investment in units of the Québec Class, preserving capital and achieving capital appreciation for the Québec 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. An emphasis will be on resource issuers engaged in mineral exploration and/or development. The Manager has invested a minimum of 50% of the portfolio in companies with a market capitalization of \$25 million. The Québec 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 Québec 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 Québec Class. There have been no changes to the Québec Class which affect the risks associated with investing in the Québec Class during the period. Specific risk information can be found in the Québec Class prospectus available through our website at www.marquest.ca or at SEDAR's website www.sedar.com.

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Results of Operations

The Québec Class issued 1,118,932 units for gross proceeds of \$11,189,320 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 Québec Class portfolio.

As at December 31, 2016 the Partnership's total NAV was \$7,847,737, a decrease of 29.86% since the closing of the initial offering. The change is due to net unrealized depreciation on investments of \$2,485,200, management fees of \$48,636 and offering expenses of \$768,285.

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 Fund held 43.85% 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, \$48,636 in management fees (including HST) was charged by the General Partner.

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Financial Highlights

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

Marquest 2016-I Mining Super Flow-Through Limited Partnership - Québec 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	(2.22)
Total increase (decrease) from operations ⁽²⁾	(2.30)
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	7.01

Notes:

⁽¹⁾ This information is derived from the Québec Class unaudited interim 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 Québec Class

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

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Financial Highlights (continued)

Ratios and Supplemental Data		2016*
Total net asset value (000's) ⁽¹⁾	\$	7,848
Number of units outstanding ⁽¹⁾		1,118,932
Management expense ratio ⁽²⁾		40.73%
Management expense ratio before waivers or absorption ⁽⁵⁾		40.73%
Trading expense ratio ⁽³⁾		-
Portfolio turnover rate ⁽⁴⁾		-
Net asset value per share ⁽¹⁾		\$7.01

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 4.19%.

⁽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 Québec Class portfolio turnover rate indicates how actively the Partnership's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Partnership buying and selling all of the securities in its portfolio once in the course of the year. The higher the Québec Class portfolio turnover rate in a year, the greater the trading costs payable by the Québec 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 Québec 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.

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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.

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Summary of Investment portfolio

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

Total Net Asset Value: \$ 7,847,737

Portfolio Allocation

	% of Fund's Net Asset Value
Precious Metals	52.53%
Base Metals	43.30%
Energy	1.17%
Cash	5.24%
Net other assets (liabilities)	-2.24%
	<hr/> 100.00%

Top 25 Holdings

	% of Fund's Net Asset Value
1 Noront Resources Ltd.	10.62%
2 Encanto Potash Corp.	9.44%
3 Gold Bullion Development Corp.	8.72%
4 HPQ Silicon Resources Inc.	8.11%
5 Explor Resources Inc.	8.06%
6 Falco Resources Ltd.	6.31%
7 Khalkos Exploration Inc.	5.93%
8 Focus Graphite Inc.	5.80%
9 Cash	5.24%
10 IsoEnergy Ltd.	4.78%
11 Avalon Advanced Materials Inc.	4.20%
12 Gowest Gold Ltd.	3.95%
13 Berkwood Resources Ltd.	3.89%
14 Saint Jean Carbon Inc.	3.81%
15 Golden Dawn Minerals Inc.	3.37%
16 Clean Commodities Corp.	3.15%
17 Great Lakes Graphite Inc.	2.62%
18 Victoria Gold Corp.	2.45%
19 Uraçan Resources Ltd.	1.17%
20 Shore Gold Inc.	0.62%
	<hr/> 102.24%

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Québec 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 Québec Class does not hold short positions. The prospectus and other information of Marquest 2016-II Mining Super Flow-Through Limited Partnership - Québec class are available on the internet www.sedar.com.

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