



**MARQUEST MUTUAL  
FUNDS INC.**

SEMI-ANNUAL REPORT

Period ended June 30, 2017

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## **Notice to Shareholders/Unitholders**

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### **Unaudited Semi-Annual Financial Statements**

The accompanying semi-annual financial statements have not been reviewed by the external auditors of the Funds. The external auditors will be auditing the annual financial statements of the Funds in accordance with International Financial Reporting Standards.

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at,

	June 30, 2017 (\$)	December 31, 2016 (\$)
<b>Assets (Note 2)</b>		
<b>Current Assets</b>		
Investments at fair value	8,020,439	8,514,463
Cash	2,048,421	495,051
Receivable for investments sold	-	495
Refundable taxes receivable (Note 4)	912,216	906,144
Prepaid fees	7,283	15,216
	<u>10,988,359</u>	<u>9,931,369</u>
<b>Liabilities (Note 2)</b>		
<b>Current Liabilities</b>		
Management fees payable	1,242	1,195
Other payables and accrued expenses	53,733	66,230
Payable on redemption of redeemable shares	19,180	10,640
Payable for investments purchased	832,900	-
	<u>907,055</u>	<u>78,065</u>
<b>Net assets attributable to holders of redeemable shares (Note 3)</b>	<u>10,081,304</u>	<u>9,853,304</u>
<b>Net assets attributable to holders of redeemable shares (Note 3)</b>		
Series A-Rollover	10,063,301	9,837,439
Series A-Regular	9,854	8,238
Series F	8,149	7,627
<b>Net assets attributable to holders of redeemable shares per share</b>		
Series A-Rollover	0.52	0.49
Series A-Regular	0.57	0.53
Series F	0.51	0.47

Approved on behalf of the Board of Directors of Marquest Mutual Funds Inc.

"Gerry L. Brockelsby"

Gerry L. Brockelsby  
Director

"Andrew A. McKay"

Andrew A. McKay  
Director

*The accompanying notes form an integral part of the financial statements*

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the periods ended June 30,

	2017 (\$)	2016 (\$)
<b>Income</b>		
Dividends	59,700	-
Interest for distribution purposes	551	2
Securities lending income	898	-
Net realized gain (loss) on sale of investments	1,075,292	1,110,127
Foreign exchange gain (loss)	(9,242)	(3)
Change in net unrealized appreciation (depreciation) on investments	(60,008)	2,081,564
<b>Total Income (loss)</b>	<b>1,067,191</b>	<b>3,191,690</b>
<b>Expenses (Note 4)</b>		
Management fees	134,013	94,484
Transaction costs (Note 6)	100,274	165,151
Interest charges	-	4
Operating fees	49,685	61,355
Audit fees	5,798	7,722
Custodian fees	12,199	4,693
Legal fees	6,989	18,765
Independent review committee fees	625	-
Unitholder reporting costs	-	-
<b>Total Expenses</b>	<b>309,583</b>	<b>352,174</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	<b>757,608</b>	<b>2,839,516</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per class</b>		
Series A-Rollover	756,657	2,833,444
Series A-Regular	525	2,834
Series F	426	3,238
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share</b>		
Series A-Rollover	0.04	0.15
Series A-Regular	0.03	0.18
Series F	0.03	0.16

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES (CDN \$)

For the periods ended June 30,

	<u>2017 (\$)</u>	<u>2016 (\$)</u>	<u>2017 (\$)</u>	<u>2016 (\$)</u>
	Series A-Rollover		Series A-Regular	
<b>Net assets attributable to holders of redeemable shares, beginning of period</b>	9,837,439	5,399,725	8,238	6,291
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	756,657	2,833,444	525	2,834
<b>Redeemable share transactions (Note 3)</b>				
Proceeds from sale of redeemable shares	8,337,000	15,102,372	1,091	-
Amounts paid on redemption of redeemable shares	(8,867,795)	(14,250,142)	-	(2,439)
Net redeemable share transactions	(530,795)	852,230	1,091	(2,439)
<b>Net Increase (decrease) in net assets attributable to holders of redeemable shares</b>	225,862	3,685,674	1,616	395
<b>Net assets attributable to holders of redeemable shares, end of period</b>	10,063,301	9,085,399	9,854	6,686
	<u>2017 (\$)</u>	<u>2016 (\$)</u>	<u>2017 (\$)</u>	<u>2016 (\$)</u>
	Series F		Total	
<b>Net assets attributable to holders of redeemable shares, beginning of period</b>	7,627	4,381	9,853,304	5,410,397
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	426	3,238	757,608	2,839,516
<b>Redeemable share transactions (Note 3)</b>				
Proceeds from sale of redeemable shares	3,757	4,060	8,341,848	15,106,432
Amounts paid on redemption of redeemable shares	(3,661)	(3,554)	(8,871,456)	(14,256,135)
Net redeemable unit transactions	96	506	(469,908)	850,297
<b>Net Increase (decrease) in net assets attributable to holders of redeemable shares</b>	522	3,744	228,000	3,689,813
<b>Net assets attributable to holders of redeemable shares, end of period</b>	8,149	8,125	10,081,304	9,100,210

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF CASH FLOW (CDN \$)

For the periods ended June 30,

	2017 (\$)	2016 (\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	757,608	2,839,516
Adjustments for:		
Foreign exchange loss (gain)	9,242	3
Net realized loss (gain) on sale of investments	(1,075,292)	(1,110,127)
Change in net unrealized depreciation (appreciation) on investments	60,008	(2,081,564)
Purchases of investments	(8,945,184)	(15,711,517)
Proceeds from sale and maturity of investments	11,287,887	14,369,684
Other receivable	-	105,467
Refundable taxes receivable	(6,072)	(50,002)
Prepaid fees	7,933	7,835
Management fees payable	47	547
Other payables and accrued expenses	(12,497)	156,046
<b>Net cash from (used in) operating activities</b>	<b>2,083,680</b>	<b>(1,474,112)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from sale of redeemable shares	8,341,848	15,106,432
Amounts paid on redemption of redeemable shares	(8,862,916)	(14,089,953)
<b>Net cash from (used in) financing activities</b>	<b>(521,068)</b>	<b>1,016,479</b>
Foreign exchange gain (loss)	(9,242)	(3)
Net decrease in cash	1,562,612	(457,633)
Cash (bank indebtedness) at beginning of period	495,051	1,115,502
<b>Cash (bank indebtedness) at end of period</b>	<b>2,048,421</b>	<b>657,866</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received	59,700	-
Interest received	551	2
Interest paid	-	(4)

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at June 30, 2017 (unaudited)

Number of Shares, Units or Warrants		Expiry Date	Strike Price	Average Cost*	Fair Value
<b>CANADIAN EQUITIES (79.56%)</b>					
<b>Base Metals (44.47%)</b>					
3,242,865	Aldever Resources Inc., Warrants**	25/11/2018	\$0.20	\$ -	\$ 3
377,777	Aldever Resources Inc., Warrants**	05/04/2019	\$0.18	-	-
845,000	Altair Resources Inc.**			169,000	245,895
845,000	Altair Resources Inc., Warrants**	18/04/2020	\$0.26	-	33,800
3,000,000	Argex Titanium Inc., Warrants	18/09/2017	\$0.15	3	3
97,255	Arizona Mining Inc.			278,966	277,177
1,500,000	Avalon Advanced Materials Inc., Warrants**	29/03/2018	\$0.20	-	2
3,000,000	Avalon Rare Metals Inc., Warrants**	24/12/2017	\$0.18	156,000	3
256,556	Balmoral Resources Ltd.			170,610	174,458
1,315,000	Canada Carbon Inc.			328,750	223,550
1,000,265	Canada Zinc Metals Corp.**			320,085	232,862
465,500	Canadian Zinc Corp			104,737	81,463
2,666,666	Commerce Resources Corp., Warrants	30/06/2018	\$0.10	2,660	3
641,300	Commerce Resources Corp., Warrants	12/08/2018	\$0.10	-	1
1,600,816	Copper Fox Metals Inc.			198,222	192,098
666,666	Copper Fox Metals Inc., Warrants**	09/06/2018	\$0.15	-	1
381,799	Copper North Mining Corp.			133,038	30,544
166,667	Copper North Mining Corp., Warrants**	18/12/2017	\$0.75	-	-
1,974,500	Copperbank Resources Corp., Warrants	21/10/2019	\$0.50	-	9,873
533,333	Darnley Bay Resources Ltd.			80,000	146,667
1,875,000	Encanto Potash Corp.			187,500	121,875
700,000	Fieldex Exploration Inc.			115,500	129,500
7,500,000	Fieldex Exploration Inc., Warrants	27/04/2021	\$0.10	-	8
1,000,000	Fieldex Exploration Inc., Warrants	01/06/2021	\$0.10	-	1
1,333,300	Focus Graphite Inc.**			99,998	103,464
1,970,000	Focus Graphite Inc., Warrants	30/09/2020	\$0.12	-	2
1,333,300	Focus Graphite Inc., Warrants**	24/03/2021	\$0.10	-	1
1,252,400	Fortune Minerals Ltd.			294,314	250,480
626,200	Fortune Minerals Ltd., Warrants	08/03/2019	\$0.35	18,786	1
400,000	Gespeg Copper Resources Inc., Warrants**	11/08/2017	\$0.15	-	-
6,600,000	Honey Badger Exploration Inc.			145,500	99,000
2,000,000	Honey Badger Exploration Inc., Warrants**	23/12/2018	\$0.06	2	2
2,600,000	Honey Badger Exploration Inc., Warrants**	12/05/2019	\$0.07	-	3
4,000,000	Honey Badger Exploration Inc., Warrants**	12/12/2019	\$0.05	-	4
284,274	Laramide Resources Ltd.			127,923	95,232
185,500	Laramide Resources Ltd., Warrants**	24/12/2017	\$0.50	-	-
1,033,333	MacDonald Mines Exploration Ltd.			206,667	118,833
24,390	MGX Minerals Inc.**			20,000	20,819
12,195	MGX Minerals Inc., Warrants**	12/09/2019	\$1.15	-	-
428,572	Noront Resources Ltd., Warrants	17/03/2019	\$0.50	45	-
540,625	Noront Resources Ltd., Warrants	23/09/2019	\$0.50	52	1
683,333	Noront Resources Ltd., Warrants**	30/03/2019	\$0.55	-	1
3,066,668	North American Nickel Inc.			184,000	214,667
1,533,334	North American Nickel Inc., Warrants	08/06/2019	\$0.12	46,000	2
160,000	Northern Graphite Corporation, Warrants	09/07/2017	\$0.80	-	-
1,015,667	Power Metals Corp.			187,829	309,777
275,766	Rogue Resources Inc.			245,411	143,398
5,000,000	Saint Jean Carbon Inc., Warrants	21/12/2018	\$0.06	25,000	5
625,000	Strategic Metals Ltd.			362,499	343,749
2,399,500	Tantalex Resources Corp.			220,454	167,965
400,000	Tantalex Resources Corp., Warrants**	05/1/2018	\$0.06	-	6,000
3,771,428	The Maggie Mines Inc.**			850,000	21,874
215,186	Trevali Mining Corp.			277,590	273,286
333,333	Trigon Metals Inc.**			100,000	77,600
544,411	Trigon Metals Inc.			246,040	136,103
166,666	Trigon Metals Inc., Warrants	02/10/2017	\$0.40	-	-

\*Average cost includes transaction costs.

\*\*These securities are subject to temporary trading restrictions.  
See accompanying notes.



# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at June 30, 2017 (unaudited)

Number of Shares, Units or Warrants		Expiry Date	Strike Price	Average Cost*	Fair Value
<b>CANADIAN EQUITIES (CONT.) (79.56%)</b>					
<b>Base Metals (cont.) (44.47%)</b>					
2,872,679	Wallbridge Mining Company Ltd.			\$ 228,352	\$ 201,088
1,590,000	Wallbridge Mining Company Ltd., Warrants	19/08/2019	\$0.10	-	2
3,462,500	Wallbridge Mining Company Ltd., Warrants	04/10/2019	\$0.12	2,770	3
2,000,000	Xmet Inc.			10,000	2
2,500,000	Xmet Inc., Warrants**	21/11/2017	\$0.06	-	3
				<u>6,144,303</u>	<u>4,483,154</u>
<b>Precious Metals (30.54%)</b>					
566,500	ATAC Resources Ltd.			263,423	339,900
39,316	Castle Silver Resources Inc.			9,436	10,026
39,317	Castle Silver Resources Inc., Warrants**	15/09/2017	\$0.10	5,504	6,094
1,571,428	Colorado Resources Ltd.			463,571	384,999
785,714	Colorado Resources Ltd., Warrants**	18/05/2018	\$0.60	-	1
416,666	Garibaldi Resources Corp., Warrants	22/12/2017	\$0.20	-	-
1,562,500	Garibaldi Resources Corp., Warrants	22/12/2017	\$0.25	2	2
1,120,475	Globex Mining Enterprises Inc., Warrants	26/11/2017	\$0.50	-	1
233,850	Globex Mining Enterprises Inc., Warrants	14/12/2031	\$0.55	-	-
188,750	Golden Predator Mining Corp.			302,000	235,938
3,531,911	Granada Gold Mine Inc.			247,234	229,574
1,575,000	Granada Gold Mine Inc., Warrants	09/05/2018	\$0.15	-	2
1,475,000	Granada Gold Mine Inc., Warrants	16/05/2018	\$0.15	-	1
2,500,000	GTA Resources and Mining Inc.			187,500	112,500
768,800	Harte Gold Corp.			322,896	484,344
496,443	HPQ-Silicon Resources Inc., Warrants	23/12/2018	\$0.25	-	1
36,931	HudBay Minerals Inc.			276,344	276,983
625,000	Intact Gold Corp., Warrants	19/05/2019	\$0.20	-	1
250,000	Khalkos Exploration Inc.			40,000	23,750
125,000	Khalkos Exploration Inc. Warrants	28/05/2018	\$0.20	-	-
459,406	Metanor Resources Inc.			413,464	408,869
375,000	Montan Mining Corp., Warrants	06/07/2017	\$0.25	-	-
1,250,000	MX Gold Corp., Warrants	23/12/2017	\$0.30	2	1
800,000	Red Pine Exploration Inc., Warrants**	18/12/2017	\$2.50	-	1
2,300,000	Rockhaven Resources Ltd.			437,000	368,000
1,150,000	Rockhaven Resources Ltd., Warrants	03/12/2017	\$0.25	-	1
1,000,000	Shore Gold Inc., Warrants**	09/05/2018	\$0.25	-	65,000
157,777	Treasury Metals Inc.			88,355	97,822
138,888	Trifecta Gold Ltd.			44,444	34,722
				<u>3,101,175</u>	<u>3,078,533</u>
<b>Energy (4.55%)</b>					
1,106,333	Appia Energy Corp.			484,196	171,482
100,094	NexGen Energy Ltd.			200,246	287,270
				<u>684,442</u>	<u>458,752</u>
<b>TOTAL CANADIAN EQUITIES</b>					
				<u>9,929,920</u>	<u>8,020,439</u>
<b>UNITED STATES EQUITIES (0.00%)</b>					
<b>Base Metals (0.00%)</b>					
187,500	Nextsource Materials Inc., Warrants**	04/05/2018	\$0.14	-	-
				<u>-</u>	<u>-</u>
<b>TOTAL UNITED STATES EQUITIES</b>					
				<u>-</u>	<u>-</u>
<b>Total cost and fair value of investments (79.56%)</b>				9,929,920	8,020,439
<b>Transaction costs (note 6)</b>				(6,134)	-
<b>Total investments</b>				<u>9,923,786</u>	<u>8,020,439</u>
<b>Other assets (net) (20.44%)</b>				2,060,865	2,060,865
<b>Net assets attributable to holders of redeemable units</b>				<u>\$ 11,984,651</u>	<u>\$ 10,081,304</u>

\*Average cost includes transaction costs.

\*\*These securities are subject to temporary trading restrictions.  
See accompanying notes.

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

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## INTERIM UNAUDITED FINANCIAL STATEMENTS

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### SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at June 30, 2017 (unaudited)

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### PORTFOLIO CONCENTRATION (CDN \$)

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Portfolio by Category	% of Net Assets Attributable to Holders of Redeemable Units	
	June 30, 2017	December 31, 2016
Base Metals	44.47%	53.58%
Precious Metals	30.54%	15.34%
Energy	4.55%	17.49%
Other Assets Less Liabilities	20.44%	13.59%
Total	100.00%	100.00%

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See accompanying notes.

# MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at,

	June 30, 2017 (\$)	December 31, 2016 (\$)
<b>Assets (Note 2)</b>		
<b>Current Assets</b>		
Investments at fair value	125,842	249,806
Cash	70,560	17,757
Accrued dividend receivable	376	419
Refundable taxes receivable (Note 4)	104,448	104,448
Prepaid fees	7,283	15,216
	<u>308,509</u>	<u>387,646</u>
<b>Liabilities (Note 2)</b>		
<b>Current Liabilities</b>		
Management fees payable	37	46
Other payables and accrued expenses	11,848	12,584
Payable on redemption of redeemable shares	-	4,791
	<u>11,885</u>	<u>17,421</u>
<b>Net assets attributable to holders of redeemable shares (Note 3)</b>	<u>296,624</u>	<u>370,225</u>
<b>Net assets attributable to holders of redeemable shares (Note 3)</b>		
Series A-Rollover	294,801	368,055
Series A-Regular	1,823	2,170
<b>Net assets attributable to holders of redeemable shares per share</b>		
Series A-Rollover	0.19	0.23
Series A-Regular	0.24	0.29

Approved on behalf of the Board of Directors of Marquest Mutual Funds Inc.

"Gerry L. Brockelsby"

Gerry L. Brockelsby  
Director

"Andrew A. McKay"

Andrew A. McKay  
Director

*The accompanying notes form an integral part of the financial statements*

# MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the periods ended June 30,

	2017 (\$)	2016 (\$)
<b>Income</b>		
Dividends	2,126	1,372
Securities lending income	156	4
Net realized gain (loss) on sale of investments	9,384	(4,697)
Change in net unrealized appreciation (depreciation) on investments	(42,643)	33,439
<b>Total Income (loss)</b>	<b>(30,977)</b>	<b>30,118</b>
<b>Expenses (Note 4)</b>		
Management fees	3,735	5,805
Transaction costs (Note 6)	359	447
Operating fees	17,991	15,843
Audit fees	329	500
Custodian fees	3,072	2,978
Legal fees	-	8,368
Independent review committee fees	15	-
Unitholder reporting costs	1,497	-
<b>Total Expenses</b>	<b>26,998</b>	<b>33,941</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	<b>(57,975)</b>	<b>(3,823)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per class</b>		
Series A-Rollover	(57,628)	(3,812)
Series A-Regular	(347)	(11)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share</b>		
Series A-Rollover	(0.04)	-
Series A-Regular	(0.05)	-

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES (CDN \$)

For the periods ended June 30,

	<u>2017 (\$)</u> Series A-Rollover	<u>2016 (\$)</u>	<u>2017 (\$)</u> Series A-Regular	<u>2016 (\$)</u>
<b>Net assets attributable to holders of redeemable shares, beginning of period</b>	368,055	495,092	2,170	2,097
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	(57,628)	(3,812)	(347)	(11)
<b>Redeemable share transactions (Note 3)</b>				
Amounts paid on redemption of redeemable shares	(15,626)	(72,995)	-	-
Net redeemable share transactions	(15,626)	(72,995)	-	-
<b>Net Increase (decrease) in net assets attributable to holders of redeemable shares</b>	(73,254)	(76,807)	(347)	(11)
<b>Net assets attributable to holders of redeemable shares, end of period</b>	294,801	418,285	1,823	2,086
			<u>2017 (\$)</u> Total	<u>2016 (\$)</u>
<b>Net assets attributable to holders of redeemable shares, beginning of period</b>			370,225	497,189
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>			(57,975)	(3,823)
<b>Redeemable share transactions (Note 3)</b>				
Amounts paid on redemption of redeemable shares			(15,626)	(72,995)
Net redeemable unit transactions			(15,626)	(72,995)
<b>Net Increase (decrease) in net assets attributable to holders of redeemable shares</b>			(73,601)	(76,818)
<b>Net assets attributable to holders of redeemable shares, end of period</b>			296,624	420,371

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF CASH FLOW (CDN \$)

For the periods ended June 30,

	2017 (\$)	2016 (\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	(57,975)	(3,823)
Adjustments for:		
Net realized loss (gain) on sale of investments	(9,384)	4,697
Change in net unrealized depreciation (appreciation) on investments	42,643	(33,439)
Purchases of investments	(28,584)	(43,851)
Proceeds from sale and maturity of investments	119,289	23,565
Accrued dividend receivable	43	42
Prepaid fees	7,933	7,835
Management fees payable	(9)	26
Other payables and accrued expenses	(736)	1,161
<b>Net cash from (used in) operating activities</b>	<b>73,220</b>	<b>(43,787)</b>
<b>Cash flows from (used in) financing activities</b>		
Amounts paid on redemption of redeemable shares	(20,417)	(72,995)
<b>Net cash from (used in) financing activities</b>	<b>(20,417)</b>	<b>(72,995)</b>
Net decrease in cash	52,803	(116,782)
Cash (bank indebtedness) at beginning of period	17,757	200,894
<b>Cash (bank indebtedness) at end of period</b>	<b>70,560</b>	<b>84,112</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received	2,169	1,414

*The accompanying notes form an integral part of the financial statements*

# MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at June 30, 2017 (unaudited)

Number of Shares		Average Cost*	Fair Value
<b>CANADIAN EQUITIES (42.42%)</b>			
<b>Oil &amp; Gas (26.49%)</b>			
4,646	Athabasca Oil Corp.	\$ 7,970	\$ 4,692
833,334	Birch Lake Energy Inc.	4,167	1
166,666	Golden Coast Energy Corp.	4,167	-
700	Paramount Resources Ltd.	9,319	13,363
238	Parkland Fuel Corp.	6,750	7,071
507	Seven Generations Energy Ltd.	7,952	11,260
200	Suncor Energy Inc.	9,238	7,578
162	TransCanada Corp.	8,048	10,015
183	Vermilion Energy Inc.	9,309	7,529
738	Whitecap Resources Inc.	7,821	6,834
3,068	Yangarra Resources Ltd.	7,524	10,247
		<u>82,265</u>	<u>78,590</u>
<b>Oil &amp; Gas Services (15.93%)</b>			
1,570	CES Energy Solutions Corp.	6,014	9,074
901	Ensign Energy Services Inc.	8,584	6,244
402	Keyera Corp.	17,919	16,410
519	Total Energy Services Inc.	6,936	6,903
2,375	Trican Well Service Ltd.	8,507	8,621
		<u>47,960</u>	<u>47,252</u>
<b>TOTAL CANADIAN EQUITIES</b>		<u>130,225</u>	<u>125,842</u>
<b>Total cost and fair value of investments (42.42%)</b>		130,225	125,842
<b>Transaction costs (note 6)</b>		(175)	-
<b>Total investments</b>		<u>130,050</u>	<u>125,842</u>
<b>Other assets (net) (57.58%)</b>		<u>170,782</u>	<u>170,782</u>
<b>Net assets attributable to holders of redeemable units</b>		<u>\$ 300,832</u>	<u>\$ 296,624</u>

\*Average cost includes transaction costs.  
See accompanying notes.

### PORTFOLIO CONCENTRATION (CDN \$)

Portfolio by Category	% of Net Assets Attributable to Holders of Redeemable Units	
	June 30, 2017	December 31, 2016
Oil & Gas	26.49%	49.05%
Oil & Gas Services	15.93%	18.42%
Other Assets Less Liabilities	57.58%	32.53%
Total	<u>100.00%</u>	<u>100.00%</u>

See accompanying notes.

# MARQUEST MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at,

	June 30, 2017 (\$)	December 31, 2016 (\$)
<b>Assets (Note 2)</b>		
<b>Current Assets</b>		
Investments at fair value	5,933,622	10,598,592
Cash	2,884,763	372,945
Accrued dividend receivable	48,185	59,663
Refundable taxes receivable (Note 4)	819,430	741,871
Prepaid fees	7,283	15,216
	<b>9,693,283</b>	<b>11,788,287</b>
<b>Liabilities (Note 2)</b>		
<b>Current Liabilities</b>		
Management fees payable	1,034	1,292
Other payables and accrued expenses	129,602	70,775
Payable on redemption of redeemable shares	-	53,553
	<b>130,636</b>	<b>125,620</b>
<b>Net assets attributable to holders of redeemable shares (Note 3)</b>	<b>9,562,647</b>	<b>11,662,667</b>
<b>Net assets attributable to holders of redeemable shares (Note 3)</b>		
Series A-Regular	7,085,666	9,118,211
Series F	2,394,289	2,460,896
Series I	82,692	83,560
<b>Net assets attributable to holders of redeemable shares per share</b>		
Series A-Regular	14.08	14.31
Series F	13.49	13.63
Series I	16.54	16.71

Approved on behalf of the Board of Directors of Marquest Mutual Funds Inc.

"Gerry L. Brockelsby"

Gerry L. Brockelsby  
Director

"Andrew A. McKay"

Andrew A. McKay  
Director

*The accompanying notes form an integral part of the financial statements*



# MARQUEST MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the periods ended June 30,

	2017 (\$)	2016 (\$)
<b>Income</b>		
Dividends	184,291	97,761
Interest for distribution purposes	1,144	-
Securities lending income	2,045	828
Net realized gain (loss) on sale of investments	555,210	(181,496)
Net realized gain (loss) on option contracts	-	22,033
Foreign exchange gain (loss)	(34,423)	(153,737)
Change in net unrealized appreciation (depreciation) on investments	(692,617)	593,575
Change in unrealized appreciation (depreciation) in option contracts	-	(12,340)
<b>Total Income (loss)</b>	<b>15,650</b>	<b>366,624</b>
<b>Expenses (Note 4)</b>		
Management fees	106,475	101,509
Foreign taxes withheld (Note 5)	376	2,825
Transaction costs (Note 6)	11,641	21,847
Interest charges	215	402
Operating fees	29,705	45,696
Audit fees	7,199	9,928
Custodian fees	3,792	5,280
Legal fees	6,986	19,906
Independent Review Committee fees	523	-
Unitholder reporting costs	721	-
<b>Total Expenses</b>	<b>167,633</b>	<b>207,393</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	<b>(151,983)</b>	<b>159,231</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per class</b>		
Series A-Regular	(125,237)	123,144
Series F	(25,878)	34,060
Series I	(868)	2,027
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share</b>		
Series A-Regular	(0.22)	0.24
Series F	(0.15)	0.20
Series I	(0.17)	0.41

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES (CDN \$)

For the periods ended June 30,

	2017 (\$) Series A-Regular	2016 (\$)	2017 (\$) Series F	2016 (\$)
<b>Net assets attributable to holders of redeemable shares, beginning of period</b>	9,118,211	7,374,406	2,460,896	2,380,418
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	(125,237)	123,144	(25,878)	34,060
<b>Redeemable share transactions (Note 3)</b>				
Proceeds from sale of redeemable shares	3,021	880,534	74,732	63,576
Amounts paid on redemption of redeemable shares	(1,910,329)	(773,995)	(115,461)	(315,640)
Net redeemable share transactions	(1,907,308)	106,539	(40,729)	(252,064)
<b>Net Increase (decrease) in net assets attributable to holders of redeemable shares</b>	(2,032,545)	229,683	(66,607)	(218,004)
<b>Net assets attributable to holders of redeemable shares, end of period</b>	7,085,666	7,604,089	2,394,289	2,162,414
	2017 (\$) Series I	2016 (\$)	2017 (\$) Total	2016 (\$)
<b>Net assets attributable to holders of redeemable shares, beginning of period</b>	83,560	79,578	11,662,667	9,834,402
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	(868)	2,027	(151,983)	159,231
<b>Redeemable share transactions (Note 3)</b>				
Proceeds from sale of redeemable shares	-	-	77,753	944,110
Amounts paid on redemption of redeemable shares	-	-	(2,025,790)	(1,089,635)
Net redeemable unit transactions	-	-	(1,948,037)	(145,525)
<b>Net Increase (decrease) in net assets attributable to holders of redeemable shares</b>	(868)	2,027	(2,100,020)	13,706
<b>Net assets attributable to holders of redeemable shares, end of period</b>	82,692	81,605	9,562,647	9,848,108

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### STATEMENTS OF CASH FLOW (CDN \$)

For the periods ended June 30,

	2017 (\$)	2016 (\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	(151,983)	159,231
Adjustments for:		
Foreign exchange loss (gain)	34,423	153,737
Net realized loss (gain) on sale of investments	(555,210)	181,496
Change in net unrealized depreciation (appreciation) on investments	692,617	(593,575)
Change in fair value of option contracts	-	16,100
Purchases of investments	(1,542,845)	(5,925,447)
Proceeds from sale and maturity of investments	6,070,408	7,804,949
Accrued dividend receivable	11,478	9,523
Refundable taxes receivable	(77,559)	(77,283)
Prepaid fees	7,933	7,836
Management fees payable	(258)	534
Other payables and accrued expenses	58,827	(24,373)
<b>Net cash from (used in) operating activities</b>	<b>4,547,831</b>	<b>1,712,728</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from sale of redeemable shares	77,753	944,110
Amounts paid on redemption of redeemable shares	(2,079,343)	(1,086,735)
<b>Net cash from (used in) financing activities</b>	<b>(2,001,590)</b>	<b>(142,625)</b>
Foreign exchange gain (loss)	(34,423)	(153,737)
Net decrease in cash	2,546,241	1,570,103
Cash at beginning of period	372,945	1,298,844
<b>Cash at end of period</b>	<b>2,884,763</b>	<b>2,715,210</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received	195,769	107,284
Foreign taxes paid	(376)	(2,825)
Interest received	1,144	-
Interest paid	(215)	(402)

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

## INTERIM UNAUDITED FINANCIAL STATEMENTS

### SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at June 30, 2017 (unaudited)

Number of Shares	Expiry Date	Exercise Price	Average Cost* (Premiums)	Fair Value
<b>CANADIAN EQUITIES (58.40%)</b>				
<b>Energy (14.75%)</b>				
10,083			\$ 322,855	\$ 299,263
14,172			335,080	240,357
39,505			330,554	273,770
10,527			298,575	312,756
30,684			337,596	284,134
			<u>1,624,660</u>	<u>1,410,280</u>
<b>Utilities (12.05%)</b>				
29,815			334,822	406,975
16,077			350,375	390,993
15,887			334,262	354,598
			<u>1,019,459</u>	<u>1,152,566</u>
<b>Industrials (9.03%)</b>				
5,555			268,168	263,918
8,094			329,654	267,588
12,780			331,720	331,769
			<u>929,542</u>	<u>863,275</u>
<b>Materials (6.85%)</b>				
13,734			328,185	339,092
20,086			324,847	315,752
			<u>653,032</u>	<u>654,844</u>
<b>Consumer Discretionary (5.03%)</b>				
109			109,700	118,489
18,372			335,825	362,296
			<u>445,525</u>	<u>480,785</u>
<b>Healthcare (3.88%)</b>				
35,942			340,353	372,000
			<u>340,353</u>	<u>372,000</u>
<b>Financials (3.51%)</b>				
3,183			334,991	335,456
			<u>334,991</u>	<u>335,456</u>
<b>Consumer Staples (3.30%)</b>				
22,203			351,493	315,505
			<u>351,493</u>	<u>315,505</u>
<b>TOTAL CANADIAN EQUITIES</b>			<u>5,699,055</u>	<u>5,584,711</u>
<b>UNITED STATES EQUITIES (3.65%)</b>				
<b>Utilities (3.65%)</b>				
8,438			338,456	348,911
			<u>338,456</u>	<u>348,911</u>
<b>TOTAL UNITED STATES EQUITIES</b>			<u>338,456</u>	<u>348,911</u>
<b>Total cost and fair value of investments (62.05%)</b>			6,037,511	5,933,622
<b>Transaction costs (note 6)</b>			(10,122)	-
<b>Total investments</b>			<u>6,027,389</u>	<u>5,933,622</u>
<b>Other assets (net) (37.95%)</b>			3,629,025	3,629,025
<b>Net assets attributable to holders of redeemable units</b>			<u>\$ 9,656,414</u>	<u>\$ 9,562,647</u>

\*Average cost includes transaction costs.  
See accompanying notes.

# MARQUEST MUTUAL FUNDS INC. - FLEX DIVIDEND AND INCOME GROWTH™ SERIES FUND

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## INTERIM UNAUDITED FINANCIAL STATEMENTS

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### SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at June 30, 2017 (unaudited)

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### PORTFOLIO CONCENTRATION (CDN \$)

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Portfolio by Category	% of Net Assets Attributable to Holders of Redeemable Units	
	June 30, 2017	December 31, 2016
Utilities	15.70%	17.76%
Energy	14.75%	12.12%
Industrials	9.03%	23.34%
Materials	6.85%	14.78%
Consumer Discretionary	5.03%	8.73%
Healthcare	3.88%	3.04%
Financials	3.51%	6.88%
Consumer Staples	3.30%	2.98%
Information Technology	-	1.25%
Other Assets Less Liabilities	37.95%	9.12%
Total	100.00%	100.00%

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See accompanying notes.

# Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the period ended June 30, 2017 (unaudited)

## 1. THE FUNDS

Marquest Mutual Funds Inc. (the "Corporation"), was incorporated by articles of incorporation, under the laws of Ontario on September 24, 2004. In addition to ten common shares issued upon incorporation, the Corporation has three series of mutual fund shares. The Funds are referred to individually as a "Fund" and collectively as the "Funds". The Funds' registered office is 161 Bay Street, Suite 4420, P.O. Box 204, Toronto, Ontario M5J 2S1. The Funds invest in Canadian and U.S. securities, Canadian and U.S. fixed income securities, Canadian short-term debt securities and derivatives. Most of the Funds' equity investments are listed and traded on stock exchange markets in Canada and the U.S. although the Funds may also invest in private equity securities.

Marquest Asset Management Inc. is the manager (the "Manager") of the Funds. The Funds' investment activities and administration are managed by the Manager. The Funds' custodian is RBC Investor Trust Services.

The Funds' commencement dates of operations are as follows:

Name of Fund	Series A-Rollover	Series A-Regular	Series F	Series I
Explorer Series Fund	31-Jan-05	05-Sep-08	24-Mar-08	-
Energy Series Fund	01-May-06	09-Sep-10	-	-
Flex Dividend and Income Growth™ Series Fund	-	19-May-09	13-Nov-09	28-Oct-08

On March 25, 2016 the Canadian Flex™ Series Fund and the Resource Flex™ Series Fund were terminated.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These semi-annual financial statements have been prepared in accordance with International Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. Significant accounting policies used in preparing the semi-annual financial statements are consistent with those used in preparing the annual financial statements. These semi-annual financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Funds' most recent December 31, 2016, annual financial statements.

These semi-annual financial statements were authorized for issue by the Manager on August 29, 2017.

## 3. REDEEMABLE PARTICIPATING SHARES

The Funds are authorized to issue an unlimited number of shares as follows:

Name of Fund	Series Available
Explorer Series Fund	A-Rollover, A-Regular, F
Energy Series Fund	A-Rollover, A-Regular
Flex Dividend and Income Growth™ Series Fund	A-Regular, F, I

During the periods ended June 30, 2017 and 2016 the following shares were issued (including transfers from other series) and redeemed (including transfers to other series):

June 30, 2017	Outstanding beginning of period	Shares issued	Shares redeemed	Outstanding end of period
Explorer Series Fund				
Series A-Rollover	20,222,379	13,775,645	(14,811,158)	19,186,866
Series A-Regular	15,586	1,675	-	17,261
Series F	16,099	6,853	(7,116)	15,836
Energy Series Fund				
Series A-Rollover	1,612,324	-	(74,768)	1,537,556
Series A-Regular	7,524	-	-	7,524
Flex Dividend and Income Growth™ Series Fund				
Series A	637,044	213	(134,184)	503,073
Series F	180,507	5,436	(8,478)	177,465
Series I	5,000	-	-	5,000

June 30, 2016	Outstanding beginning of period	Shares issued	Shares redeemed	Outstanding end of period
Explorer Series Fund				
Series A-Rollover	17,390,822	36,039,585	(34,185,673)	19,244,734
Series A-Regular	18,153	-	(5,063)	13,090
Series F	14,297	11,570	(8,020)	17,847
Energy Series Fund				
Series A-Rollover	2,240,329	-	(334,569)	1,905,760
Series A-Regular	7,524	-	-	7,524
Flex Dividend and Income Growth™ Series Fund				
Series A	534,273	64,177	(57,514)	540,936
Series F	183,172	4,843	(25,601)	162,414
Series I	5,000	-	-	5,000

# Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the period ended June 30, 2017 (unaudited)

## 4. EXPENSES AND RELATED PARTY TRANSACTIONS

The following summarizes the annual management fee for the Funds paid per annum on average Net Asset Value:

	Series A/Rollover and Regular	Series F	Series I
Explorer Series Fund	2.0%	1.0%	n/a
Energy Series Fund	2.0%	n/a	n/a
Flex Dividend and Income Growth™ Series Fund	2.0%	1.0%	Negotiated

As the Manager of the Funds, the Funds are dependent on Marquest Asset Management Inc. for administration and management of all matters relating to their operations.

The Funds bear all of their own expenses relating to their operation and the carrying on of their businesses. These items include legal and audit fees, interest, and administrative costs relating to the issuance and redemption of shares as well as the cost of financial and other reports and compliance with all applicable laws, regulations and policies. Brokerage commissions paid on securities transactions are not considered to be part of total expenses.

The Manager has, at its discretion, the ability to waive certain expenses associated with some of the Funds. No fees were waived during the periods ended June 30, 2017 and 2016.

Amounts payable to and receivable from other corporate series are non-interest bearing and due on demand. These balances arose as a result of the Explorer Series Fund remitting the Corporation's aggregate taxes owing on behalf of the Energy Series Fund and Flex Dividend and Income Growth™ Series Fund and itself. These transactions are measured at the exchange amounts, and occur within the normal course of business.

Included in the each of the Funds' expenses in the Statements of Comprehensive Income, is the corresponding component of sales tax. The Harmonized Sales Tax (HST) combines the GST rate of 5% with the provincial sales tax of certain provinces. Each Fund's HST rate is calculated using the proportionate investment holding by unitholder's provincial residency as at September 30 of the prior year. HST rate are determined for expenses attributable to a Fund's individual class/series, were applicable.

From time to time, the Manager may earn fees and commissions on securities transactions in which the Fund participates. The fees and commissions are based on standard agreements at market prices. For the period ended June 30, 2017, approximately \$17,408 (2016 - \$4,055) was received by the Manager in related fees and commissions under the standing instructions given by the Independent Review Committee (IRC).

In accordance with National Instrument 81-107, Independent Review Committee for Investment Funds, the Fund Manager has established an IRC for all of the Funds. The mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest, which the Manager is subject to when managing the Funds. The IRC reports annually to unitholders of the Funds on its activities, and the annual report is available on or after December 31 in each year. The Manager charges compensation paid to the IRC members and the costs of the ongoing administration of the IRC to the Funds. These amounts are recorded in the Statements of Comprehensive Income.

## 5. TAXATION AND DISTRIBUTIONS

### (a) Taxation of Open-End Mutual Fund Corporations

Under the Income Tax Act (Canada), the Corporation qualifies as a mutual fund corporation and computes its net income (loss) and net capital gains (losses) for income tax purposes as a single entity. A mutual fund corporation is subject to a special 33 1/3% tax on taxable dividends received from corporations resident in Canada and to tax at normal corporate rates on other income and net taxable realized capital gains for the year. The special 33 1/3% tax is refundable on payments of taxable dividends to shareholders at the rate of \$1 for each \$3 of such dividend paid. All the tax on net taxable realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders.

While the Corporation is taxed as a single legal entity, the individual mutual fund share series recognize, for accounting purposes, the impact of current and future taxes based on the net income (loss) and increase (decrease) in net assets from realized and unrealized gains (losses), respectively, of each series. The mutual fund share series offsets the future tax liability for refundable taxes payable with the refund expected upon payment of capital gains or ordinary dividends or upon redemption of shares. As a result, the future tax liability for refundable taxes payable is eliminated. The mutual fund share series with negative taxable income does not recognize a tax asset for unused tax losses as future utilization is not probable and a full valuation allowance has been recorded. Further, unused tax losses of one mutual fund share series may be used to offset taxable income of another series. Therefore, where a mutual fund share series has positive net taxable income, the current tax liability has been offset with the utilization of unused tax losses from other series to the extent possible. Any residual taxable income would be refundable upon payment of capital gains or ordinary dividends by the Corporation.

### (b) Losses Carried Forward

Certain Funds have accumulated net realized capital and non-capital losses. Non-capital losses may be carried forward to reduce future taxable income for up to twenty years. There are no non-capital losses for carry forward.

### (c) Withholding Taxes

Certain Funds holding foreign securities may be subject to withholding tax, which are the taxes imposed by certain foreign countries for the investment income received from these securities. Withholding taxes are accrued based on the accrual of the related foreign investment income and are included in "Withholding taxes" on the Statements of Comprehensive Income and "Accrued liabilities" on the Statements of Financial Position.

## 6. BROKERAGE COMMISSIONS ON SECURITIES TRANSACTIONS

Certain Funds have incurred brokerage commissions, a portion of which may have been received by the Funds' investment advisers in the form of investment or research services. For the period ended June 30, 2017 the total soft dollars benefits received for the Funds was \$9,371 (2016 - \$2,535).

No soft dollar services were included in the Transaction costs on the Statements of Comprehensive Income.

# Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the period ended June 30, 2017 (unaudited)

## 7. SECURITIES LENDING TRANSACTIONS

The Funds have entered into a securities lending program with its custodian, RBC Investor and Treasury Services. The aggregate fair value of all securities loaned by a Fund cannot exceed 50% of the assets of the Fund. The Funds receive collateral of at least 105% of the value of the securities on loan. Collateral may comprise cash and/or securities.

The aggregate fair value of securities loaned and collateral held under securities lending transactions at June 30, 2017 are as follows:

June 30, 2017	Outstanding loans	Collateral amount	Collateral as percentage of securities loaned
	\$	\$	%
Energy Series Fund	42,653	44,788	105%
Flex Dividend and Income Growth™ Series Fund	2,701,792	2,836,888	105%

The aggregate fair value of securities loaned and collateral held under securities lending transactions at December 31, 2016 are as follows:

December 31, 2016	Outstanding loans	Collateral amount	Collateral as percentage of securities loaned
	\$	\$	%
Explorer Series Fund	208,527	218,954	105%
Energy Series Fund	52,534	55,163	105%
Flex Dividend and Income Growth™ Series Fund	2,127,768	2,234,163	105%

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, RBC Investor Services Trust, is entitled to receive.

June 30, 2017	Gross securities lending income	Securities lending charge		Net securities lending income	Withholding taxes	Net income received
	\$	\$	%	\$	\$	\$
Explorer Series Fund	1,429	483	34	946	48	898
Energy Series Fund	261	82	31	179	23	156
Flex Dividend and Income Growth™ Series Fund	3,206	1,119	35	2,087	42	2,045

  

June 30, 2016	Gross securities lending income	Securities lending charge		Net securities lending income	Withholding taxes	Net income received
	\$	\$	%	\$	\$	\$
Explorer Series Fund	3	1	33	2	-	2
Energy Series Fund	7	2	29	5	1	4
Flex Dividend and Income Growth™ Series Fund	1,465	512	35	953	125	828

## 8. FUND MERGERS

The acquisition method of accounting was adopted for the merger of mutual funds whereby the continuing fund is the acquiring fund and the terminated fund is the acquired fund. This identification was based on aspects of the continuing fund such as investment objectives and portfolio composition.

Effective as of the close of business, as set out below, the continuing funds acquired the portfolio assets of the corresponding terminated funds in exchange for shares in the continuing fund. The value of the shares of the continuing fund issued in connection with these mergers was equal to the fair value of the investments transferred from the respective terminated funds.

Terminating fund	Merger Date	Continuing fund	Series	Net Assets Acquired	Shares Issued	Exchange ratio
				\$		%
Marquest 2016-I Mining Super Flow Through LP - National Class	02/24/2017	Explorer Series Fund	A-Rollover	4,271,046	7,057,248	13.830418
Marquest 2016-I Mining Super Flow Through LP - Québec Class	02/24/2017	Explorer Series Fund	A-Rollover	4,065,974	6,718,397	11.203678
Marquest Mining 2015 - I Super Flow Through LP- National Class	08/19/2016	Explorer Series Fund	A-Rollover	9,147,457	17,873,108	29.504775
Marquest Mining 2015 - I Super Flow Through LP- Quebec Class	08/19/2016	Explorer Series Fund	A-Rollover	7,469,286	14,594,150	24.416774
Marquest Mining 2015-I LP	06/17/2016	Explorer Series Fund	A-Rollover	3,251,919	6,935,208	295.9969
Marquest Mining Québec 2015 II Super Flow Through LP	05/13/2016	Explorer Series Fund	A-Rollover	6,483,703	13,892,657	232.6688
Marquest Mining Québec 2015 I Super Flow Through LP	03/31/2016	Explorer Series Fund	A-Rollover	5,365,199	15,207,481	230.766

As a result of the mergers, in accordance with the Income Tax Act (Canada), all unrealized losses and certain elected unrealized gains of the terminating funds' portfolios were realized on the merger date. The financial statements of the continuing funds do not include the operating results of the terminated funds prior to the merger date.



# Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the period ended June 30, 2017 (unaudited)

## 9. CAPITAL MANAGEMENT DISCLOSURES

Shares issued and outstanding represent the capital of the Funds. The Funds have no restrictions or specific capital requirements and are authorized to issue an unlimited number of redeemable, transferable shares of each Series available, as specified in the Funds' Simplified Prospectus. Restrictions and specific requirements on capital for each fund Series are only applicable for minimum subscriptions as outlined in the Simplified Prospectus. The Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares and note 3 outline the relevant changes in each of the Fund's shares for the period. In accordance with the Funds' investment objectives, portfolio management of the Funds' capital will encompass appropriate investing of subscriptions and the maintenance of sufficient liquidity levels for capital redemptions.

## 10. FINANCIAL INSTRUMENTS

### (a) Fair Value

Financial instruments of the Funds include cash, income receivable, dividends receivable, accrued interest receivable, miscellaneous receivable, receivable for redeemable shares issued, receivable for investment securities sold, receivable from other corporate series, accrued liabilities, payable for redeemable shares redeemed, payable for investment securities purchased, distributions payable, and payable to other corporate series. There are no significant differences between the carrying values of these financial instruments and their fair values due to their short term nature. Investments are carried at their fair values as described in note 2 of the annual audited financial statements.

The following tables present the Funds' financial instruments measured at fair value classified by the fair value hierarchy set out in IFRS 13 Fair Value Measurements as of June 30, 2017 and December 31, 2016:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>June 30, 2017</b>				
Explorer Series Fund	7,206,964	791,599	21,876	8,020,439
Energy Series Fund	125,841	-	1	125,842
Flex Dividend and Income Growth™ Series Fund	5,933,622	-	-	5,933,622
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>December 31, 2016</b>				
Explorer Series Fund	7,933,432	559,157	21,874	8,514,463
Energy Series Fund	245,639	-	4,167	249,806
Flex Dividend and Income Growth™ Series Fund	10,598,592	-	-	10,598,592

Fair values are classified as Level 1 when the related securities or derivatives are actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair values requires the use of significant unobservable inputs, in which case it is classified as Level 3.

During the period ended June 30, 2017, \$0 (December 31, 2016 - \$111,818) were transferred from Level 2 to Level 1 in the Explorer Series Fund as it has been traded on a public exchange.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements. The Manager obtains pricing from a third party pricing vendor as applicable, which is monitored by the Chief Investment Officer and the Chief Compliance Officer each day. At each financial reporting date, the Chief Financial Officer (CFO) of the Manager reviews and approves all Level 3 fair value measurements.

Realized and unrealized gains and losses related to Level 3 securities are included in the Statements of Comprehensive Income under "Net realized gain (loss) on the sale of investments including foreign exchange gain (loss)" and "change in unrealized appreciation (depreciation) on investments" respectively. Transfers in and out of Level 3 are due to the changes in the observability of market data, such as a recent new transaction or due to the passage of time, respectively. The following tables summarize the changes in Level 3 securities for the year ended December 31, 2016 and period ended June 30, 2017:

	Explorer Series Fund	Energy Series Fund	Flex Dividend and Income Growth™ Series Fund
	\$	\$	\$
Total Level 3 value, December 31, 2015	21,918	5,000	-
Purchased	-	-	-
Transfers in	626	-	-
Sold	-	-	-
Net realized gain (loss) on sale of investments	(3,999,632)	-	-
Change in unrealized appreciation (depreciation) in value	3,998,962	(833)	-
Total Level 3 value, December 31, 2016	21,874	4,167	-
Purchased	-	-	-
Transfers in	20,000	-	-
Sold	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation (depreciation) in value	(19,998)	(4,166)	-
Total Level 3 value, June 30, 2017	21,876	1	-

# Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the period ended June 30, 2017 (unaudited)

## 10. FINANCIAL INSTRUMENTS (continued)

### (a) Fair Value (continued)

Certain Funds hold Level 3 securities in which there is uncertainty in estimating the fair value; stemming from current financial issues and lack of market quotations. Level 3 requires significant unobservable data in its determination of fair value. The Explorer Series Fund and the Energy Series Fund both hold private equity investments classified as level 3.

As at June 30, 2017 the Explorer Series Fund and the Energy Series Fund Series Fund have investments of \$21,876, and \$1 (December 31, 2016 - \$21,874 and \$4,167) respectively in level 3 securities. The fair value of the securities during the period was calculated using a key number of valuation techniques and unobservable inputs which may include; financial analysis of the company's financial statements, financial disclosures, non-listed transaction prices, analysis of underlying commodity or sector prices and overall prevailing market and economic conditions.

The Manager estimates fair values for these securities using the best information available as of June 30, 2017 and December 31, 2016. The following tables outline the estimates of fair values as well as ranges of these fair values using alternative assumptions that are reasonable in Management's view. Impairment losses are reflected in the Funds' Statements of Comprehensive Income in the "Change in unrealized appreciation (depreciation) on investments".

### Fair Value of Holdings Based On Alternative Assumptions

June 30, 2017	Fair Value as Reported \$	Potential Range of Fair Value \$	
		+25%	-25%
Explorer Series Fund	21,876	26,876	16,876
Energy Series Fund	1	-	-

### Fair Value of Holdings Based On Alternative Assumptions

December 31, 2016	Fair Value as Reported \$	Potential Range of Fair Value \$	
		+25%	-25%
Explorer Series Fund	21,874	1,021,615	-
Energy Series Fund	4,167	4,375	3,959

### (b) Risk Management and Disclosures

The Funds' investment activities expose them to a variety of financial risks. The schedule of investment portfolios present the securities held by the Funds as at June 30, 2017, and groups the securities by asset type, geographic region and/or market segment. Significant risks that are relevant to the Funds are discussed below. The sensitivity analyses shown in the notes below may differ from actual trading, and the differences could be material.

The Manager seeks to minimize potential adverse effects of these risks on the Funds' performance by employing professional, experienced portfolio advisers, daily monitoring of the Funds' positions and market events; by diversifying the Investment Portfolios within the constraints of the investment objectives and periodically may use derivatives to hedge certain risk exposure. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposure for each type of risk, maintains a governance structure that oversees the Funds' investment activities and monitors compliance with the Funds' stated investment strategies and securities regulations.

#### (i) Market Risk

##### Foreign exchange risk

Foreign exchange risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Funds invest in securities and other investments that are denominated in currencies other than the Canadian dollar. Accordingly, the value of the Funds' assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Funds will necessarily be subject to foreign exchange risks.

The primary purpose of the Funds' foreign currency economic hedging activities is to protect against the volatility associated with investments and other assets and liabilities denominated in foreign currencies in the normal course of business.

Certain Funds, in the normal course of operations will invest in securities in a foreign currency. Consequently, some of the assets and revenues are exposed to foreign exchange fluctuations.

The tables below indicate the foreign currencies to which the Funds have significant exposure as at June 30, 2017 and December 31, 2016 in Canadian dollar terms. The tables also illustrate the potential impact to the Funds' net asset value, as a result of a 5% change in these currencies relative to the Canadian dollar, the functional currency, with all other variables held constant.

June 30, 2017	Currency	Fair Value \$	% of Net Assets attributable to holders of redeemable units %	Potential Impact on Net Assets \$
Explorer Series Fund	United States Dollars	501,400	4.97	25,070
Flex Dividend and Income Growth™ Series Fund	United States Dollars	1,315,295	13.75	65,765

December 31, 2016	Currency	Fair Value \$	% of Net Assets attributable to holders of redeemable units %	Potential Impact on Net Assets \$
Explorer Series Fund	United States Dollars	494,805	5.02	24,740
Flex Dividend and Income Growth™ Series Fund	United States Dollars	1,059,312	9.08	52,966

# Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the period ended June 30, 2017 (unaudited)

## 10. FINANCIAL INSTRUMENTS (continued)

(b) Risk Management and Disclosures (continued)

(i) Market Risk (continued)

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Funds' are not exposed to interest rate risk.

### Equity and other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange risk). The investments of the Funds are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Funds is equivalent to the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Funds' market price risk is managed through diversification of the investment portfolio.

The most significant exposure to other price risk arises from the Funds' investments in equity securities. As of June 30, 2017 and December 31, 2016, had the prices on the respective stock exchanges for these securities raised or lowered by 10%, with all other variables held constant, net assets attributable to holders of redeemable shares would have increased or decreased respectively as follows:

June 30, 2017	Fair Value of Investments in Equity Securities \$	% of Net Assets Attributable to Holders of Redeemable Shares %	Potential Impact on Net Assets Attributable to Holders of Redeemable Shares \$
Explorer Series Fund	8,020,439	79.6	802,044
Energy Series Fund	125,842	42.4	12,584
Flex Dividend and Income Growth™ Series Fund	5,933,622	62.1	593,362

December 31, 2016	Fair Value of Investments in Equity Securities \$	% of Net Assets Attributable to Holders of Redeemable Shares %	Potential Impact on Net Assets Attributable to Holders of Redeemable Shares \$
Explorer Series Fund	8,514,463	86.4	851,446
Energy Series Fund	249,806	67.5	24,981
Flex Dividend and Income Growth™ Series Fund	10,598,592	90.9	1,059,859

(ii) Liquidity Risk

Liquidity risk is defined as the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Funds may invest in securities, which are not actively traded on a stock exchange and may be private and/or restricted securities. Such investments include those that are identified as "subject to temporary trading restrictions" in the Schedule of Investment Portfolio. There can be no assurance that an active trading market for these securities will exist at all times, or that the prices at which these securities trade accurately reflect their values. Additionally for net asset value purposes, in accordance with securities regulation, the Funds must maintain at least 85% of their assets in liquid investments (i.e. investments that are traded in an active market and can readily be disposed of). In addition, the Funds have financial liabilities outstanding including accrued liabilities, due to manager, payable for redeemable shares redeemed, payable for investment securities purchased and payable to other corporate series. These financial liabilities are all current and are due within 30 days. Redeemable shares are redeemable on demand at the shareholders option. However, Management does not expect that all of the shares will be redeemed immediately as holders of these instruments typically retain them for a longer period.

Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed of. On a weekly basis, quantitative monitoring measures are used to screen the Funds' portfolio for securities that may be considered for potential reclassification as illiquid. In addition, the Fund aims to retain sufficient cash to maintain liquidity. Accordingly, the Fund's liquidity risk is considered minimal.

(iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds. The Funds' exposure to credit risk includes cash, investments, dividends receivable and receivables for investment securities sold. The Funds reduce their credit risk associated with cash by maintaining their primary bank accounts at large international financial institutions. All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Funds do not have a significant exposure to credit risk.

(iv) Concentration Risk

Portfolio concentration risk is the risk of loss in the total value of the portfolio investments of the Fund due to an over-concentration of investments in a particular instrument, sector or country. A summary of the Portfolio's concentration risk by industry sector as at June 30, 2017 and December 31, 2016 is shown in Fund's Schedule of Investment Portfolio.

# Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the period ended June 30, 2017 (unaudited)

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## 11. RECONCILIATION OF NET ASSET VALUE

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In accordance with Canadian securities regulations, a reconciliation between the net asset value and the net assets of an investment fund is required for financial reporting periods.

For investments that are traded in an active market where quoted prices are readily and regularly available, IFRS 13, Fair Value Measurements requires that where an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy, rather than the use of closing sale prices currently used for the purpose of determining net asset value. The Fund uses last traded close price unless the close price falls outside the bid-ask spread. As at June 30, 2017 and December 31, 2016 there were no differences between the net asset value per share and the net asset per unit per share of the funds.

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## 12. FUTURE ACCOUNTING PRONOUNCEMENTS

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IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Manager is currently assessing the impact on the financial statements of adopting IFRS.

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