



**MARQUEST MUTUAL
FUNDS INC.**

ANNUAL REPORT

Year ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Marquest Mutual Funds Inc.

We have audited the accompanying financial statements of Marquest Mutual Funds Inc. (the "Funds") which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the years ended December 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2017 and 2016 and the results of their financial performance and their cash flows for the years ended December 31, 2017 and 2016, in accordance with International Financial Reporting Standards.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 29, 2018
Toronto, Ontario

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MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at,

	December 31, 2017 (\$)	December 31, 2016 (\$)
Assets (Note 2)		
Current Assets		
Investments at fair value	10,085,112	8,514,463
Cash	6,245,151	495,051
Receivable for investments sold	8,639	495
Refundable taxes receivable (Note 5)	800,607	912,216
Receivable from other corporate series (Note 4)	102,607	-
Prepaid fees	15,923	15,216
	<u>17,258,039</u>	<u>9,937,441</u>
Liabilities (Note 2)		
Current Liabilities		
Management fees payable	2,017	1,195
Other payables and accrued expenses	84,161	66,230
Payable on redemption of redeemable shares	18,839	10,640
Payable to other corporate series	-	6,072
	<u>105,017</u>	<u>84,137</u>
Net assets attributable to holders of redeemable shares (Note 3)	<u>17,153,022</u>	<u>9,853,304</u>
Net assets attributable to holders of redeemable shares (Note 3)		
Series A-Rollover	15,656,403	9,837,439
Series A-Regular	12,079	8,238
Series F	1,484,540	7,627
Net assets attributable to holders of redeemable shares per share		
Series A-Rollover	0.59	0.49
Series A-Regular	0.64	0.53
Series F	0.58	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

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the years ended December 31,

	2017 (\$)	2016 (\$)
Income		
Dividends	59,700	1,671
Interest for distribution purposes	993	195
Securities lending income (Note 7)	3,934	2
Net realized gain (loss) on sale of investments	1,918,548	(2,643,765)
Foreign exchange gain (loss)	(12,333)	1,461
Change in net unrealized appreciation (depreciation) on investments	862,566	5,647,555
Total Income (loss)	2,833,408	3,007,119
Expenses (Note 4)		
Management fees	278,465	217,127
Transaction costs (Note 6)	198,671	258,478
Interest charges	5	6
Operating fees	112,695	100,260
Audit fees	23,277	15,300
Custodian fees	29,088	16,108
Legal fees	23,869	29,937
Independent review committee fees	2,363	1,577
Unitholder reporting costs	(1,415)	18,353
Total Expenses	667,018	657,146
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	2,166,390	2,349,973
Increase (decrease) in net assets attributable to holders of redeemable shares from operations per class		
Series A-Rollover	2,022,282	2,343,340
Series A-Regular	1,750	3,232
Series F	142,358	3,401
Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share		
Series A-Rollover	0.09	0.11
Series A-Regular	0.10	0.21
Series F	0.14	0.18

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

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

For the years ended December 31,

	2017 (\$)	2016 (\$)	2017 (\$)	2016 (\$)
	Series A-Rollover		Series A-Regular	
Net assets attributable to holders of redeemable shares, beginning of year	9,837,439	5,399,725	8,238	6,291
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	2,022,282	2,343,340	1,750	3,232
Redeemable share transactions (Note 3)				
Proceeds from sale of redeemable shares	30,203,795	31,719,115	2,091	1,154
Amounts paid on redemption of redeemable shares	(26,407,113)	(29,624,741)	-	(2,439)
Net redeemable share transactions	3,796,682	2,094,374	2,091	(1,285)
Net Increase (decrease) in net assets attributable to holders of redeemable shares	5,818,964	4,437,714	3,841	1,947
Net assets attributable to holders of redeemable shares, end of year	15,656,403	9,837,439	12,079	8,238
	2017 (\$)	2016 (\$)	2017 (\$)	2016 (\$)
	Series F		Total	
Net assets attributable to holders of redeemable shares, beginning of year	7,627	4,381	9,853,304	5,410,397
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	142,358	3,401	2,166,390	2,349,973
Redeemable share transactions (Note 3)				
Proceeds from sale of redeemable shares	1,342,567	4,611	31,548,453	31,724,880
Amounts paid on redemption of redeemable shares	(8,012)	(4,766)	(26,415,125)	(29,631,946)
Net redeemable unit transactions	1,334,555	(155)	5,193,028	2,094,605
Net Increase (decrease) in net assets attributable to holders of redeemable shares	1,476,913	3,246	7,299,718	4,442,907
Net assets attributable to holders of redeemable shares, end of year	1,484,540	7,627	17,153,022	9,853,304

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW (CDN \$)

For the years ended December 31,

	2017 (\$)	2016 (\$)
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	2,166,390	2,349,973
Adjustments for:		
Foreign exchange loss (gain)	12,333	(1,461)
Net realized loss (gain) on sale of investments	(1,918,548)	2,643,765
Change in net unrealized depreciation (appreciation) on investments	(862,566)	(5,647,555)
Purchases of investments	(23,281,161)	(26,892,769)
Proceeds from sale and maturity of investments	24,483,482	24,849,611
Other receivable	-	105,467
Refundable taxes receivable	111,609	218,415
Prepaid fees	(707)	(189)
Receivable from other corporate series	(102,607)	(274,489)
Payable to other corporate series	(6,072)	6,072
Management fees payable	822	864
Other payables and accrued expenses	17,931	1,110
Net cash from (used in) operating activities	620,906	(2,641,186)
Cash flows from (used in) financing activities		
Proceeds from sale of redeemable shares	31,548,453	31,724,880
Amounts paid on redemption of redeemable shares	(26,406,926)	(29,706,606)
Net cash from (used in) financing activities	5,141,527	2,018,274
Foreign exchange gain (loss)	(12,333)	1,461
Net increase (decrease) in cash	5,762,433	(622,912)
Cash (bank indebtedness) at beginning of year	495,051	1,115,502
Cash (bank indebtedness) at end of year	6,245,151	494,051
Supplementary disclosures on cash flow from operating activities:		
Dividends received	59,700	1,671
Interest received	993	195
Interest paid	(5)	(6)

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

AUDITED FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31, 2017

Number of Shares, Units or Warrants		Expiry Date	Exercise Price	Average Cost*	Fair Value
CANADIAN EQUITIES (58.79%)					
Base Metals (29.18%)					
660,000	Abcourt Mines Inc.**			\$ 49,500	\$ 41,613
330,000	Abcourt Mines Inc., Warrants**	22/12/2019	\$0.10	-	-
3,242,865	Aldever Resources Inc., Warrants**	25/11/2018	\$0.60	-	3
377,777	Aldever Resources Inc., Warrants**	05/04/2019	\$0.52	-	-
576,689	Altair Resources Inc.			115,338	46,135
845,000	Altair Resources Inc., Warrants**	18/04/2020	\$0.26	-	1
838,454	Avalon Advanced Materials Inc.			92,230	100,614
1,500,000	Avalon Advanced Materials Inc., Warrants**	29/03/2018	\$0.20	-	2
199,055	Balmoral Resources Ltd.			127,751	109,480
450,000	Canada Carbon Inc.			111,858	40,500
648,667	Canadian Zinc Corp.			126,776	107,030
4,285,714	Cantex Mine Development Corp.			117,857	107,143
571,652	Clean Commodities Corp.			34,299	60,023
2,595,263	Commerce Resources Corp.			220,597	194,645
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
900,816	Copper Fox Metals Inc.			111,544	117,106
666,666	Copper Fox Metals Inc., Warrants**	09/06/2018	\$0.17	-	1
1,039,000	Copper North Mining Corp.			85,718	88,315
1,974,500	Copperbank Resources Corp., Warrants	21/10/2019	\$0.50	-	9,872
4,751,477	Encanto Potash Corp.			205,370	213,816
18,435,294	Explor Resources Inc.			1,155,118	1,106,117
700,000	Fieldex Exploration Inc.			115,500	129,500
7,500,000	Fieldex Exploration Inc., Warrants	27/04/2021	\$1.00	-	8
1,000,000	Fieldex Exploration Inc., Warrants	01/06/2021	\$1.00	-	1
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
626,200	Fortune Minerals Ltd., Warrants	08/03/2019	\$0.35	18,786	1
4,882,352	Great Lakes Graphite Inc.			366,176	292,941
726,000	Honey Badger Exploration Inc.			74,883	45,375
400,000	Honey Badger Exploration Inc., Warrants**	23/12/2018	\$0.27	2	-
750,000	Honey Badger Exploration Inc., Warrants**	12/05/2019	\$0.35	-	1
800,000	Honey Badger Exploration Inc., Warrants**	12/12/2019	\$0.25	-	1
767,191	MacDonald Mines Exploration Ltd.			122,124	76,719
2,142,858	MacDonald Mines Exploration Ltd., Warrants**	29/12/2019	\$0.10	53,571	2
12,195	MGX Minerals Inc., Warrants	12/06/2019	\$1.15	-	-
125,000	Noront Resources Ltd., Flow Through Warrants	23/09/2019	\$0.50	-	-
428,572	Noront Resources Ltd., Warrants	17/03/2019	\$0.50	45	-
540,625	Noront Resources Ltd., Warrants	23/09/2019	\$0.40	52	1
683,333	Noront Resources Ltd., Warrants**	30/03/2019	\$0.55	-	1
2,311,156	North American Nickel Inc.			138,669	173,337
1,533,334	North American Nickel Inc., Warrants	08/06/2019	\$0.12	46,000	2
1,015,667	Power Metals Corp.			187,829	751,593
8,076,000	Saint Jean Carbon Inc.			326,070	323,040
5,000,000	Saint Jean Carbon Inc., Warrants	21/12/2018	\$0.06	25,000	5
2,399,500	Tantalex Resources Corp.			220,454	359,925
400,000	Tantalex Resources Corp., Warrants**	05/01/2018	\$0.06	-	38,000
3,771,428	The Maggie Mines Inc.**			850,000	21,874
333,333	Trigon Metals Inc.			126,840	100,000
166,666	Trigon Metals Inc., Warrants**	01/06/2020	\$0.40	-	-
818,679	Wallbridge Mining Company Ltd.			65,078	81,868
2,777,777	Wallbridge Mining Company Ltd.**			250,000	269,444
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
1,388,888	Wallbridge Mining Company Ltd., Warrants**	29/11/2019	\$0.15	-	-
2,000,000	Xmet Inc.			10,000	2
				<u>5,556,465</u>	<u>5,006,069</u>

*Average cost includes transaction costs.

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

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

AUDITED FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31, 2017

Number of Shares, Units or Warrants		Expiry Date	Exercise Price	Average Cost*	Fair Value	
CANADIAN EQUITIES (CONT.) (58.79%)						
Precious Metals (25.09%)						
2,067,000	Alexandria Minerals Corp.			\$ 124,020	\$ 165,360	
1,118,333	Banyan Gold Corp.			100,650	100,650	
880,952	Colorado Resources Ltd., Warrants**	18/05/2018	\$0.60	-	1	
428,571	Galway Metals Inc.**			150,000	145,500	
214,285	Galway Metals Inc., Warrants**	14/11/2019	\$0.50	-	-	
3,000,000	Golden Dawn Minerals Inc., Warrants	16/11/2018	\$0.40	3	3	
6,587,500	Gowest Gold Ltd.			955,187	1,054,000	
2,705,578	Granada Gold Mine Inc.			917,014	622,283	
2,250,000	Granada Gold Mine Inc., Warrants	09/05/2018	\$1.20	1	2	
1,675,000	Granada Gold Mine Inc., Warrants	16/05/2018	\$1.20	-	2	
1,000,000	Granada Gold Mine Inc., Warrants	28/06/2018	\$1.20	1	1	
21,052,631	Granada Gold Mine Inc., Warrants	28/10/2018	\$1.12	22	21	
632,000	GTA Resources and Mining Inc.			47,400	26,860	
2,681,818	HPQ-Silicon Resources Inc.			295,000	295,000	
2,840,909	HPQ-Silicon Resources Inc., Warrants	31/10/2018	\$0.30	3	3	
496,443	HPQ-Silicon Resources Inc., Warrants	23/12/2018	\$0.25	-	1	
625,000	Intact Gold Corp., Warrants	19/05/2019	\$0.20	-	1	
2,044,174	Khalkos Exploration Inc.			156,656	183,976	
125,000	Khalkos Exploration Inc. Warrants	28/05/2018	\$0.20	-	-	
500,000	Lomiko Metals Inc., Warrants**	22/06/2019	\$0.75	1	1	
2,898,000	Metalex Ventures Ltd.			181,125	152,145	
2,330,000	Metalex Ventures Ltd., Warrants**	30/12/2018	\$0.10	2	2	
1,557,645	Prosper Gold Corp.			214,668	124,612	
1,000,000	Prosper Gold Corp., Warrants**	05/08/2019	\$0.45	1	1	
1,071,428	Prosper Gold Corp., Warrants**	01/11/2019	\$0.55	1	1	
906,500	Rockhaven Resources Ltd.			172,235	140,508	
645,457	Shore Gold Inc.			116,182	116,182	
2,500,000	Shore Gold Inc.**			400,000	436,500	
1,000,000	Shore Gold Inc., Warrants**	09/05/2018	\$0.25	-	1	
36,000	SilverCrest Metals Inc.**			37,800	62,507	
18,000	SilverCrest Metals Inc., Warrants**	19/12/2019	\$1.45	-	-	
377,777	Skeena Resources Ltd.			264,444	264,444	
1	Trifecta Gold Ltd.			-	-	
430,857	Victoria Gold Corp.			200,349	187,423	
170,000	Visible Gold Mines Inc., Warrants	17/06/2019	\$1.00	2	-	
3,229,692	Yorbeau Resources Inc.			295,842	226,078	
				<u>4,628,609</u>	<u>4,304,069</u>	
Energy (4.52%)						
1,106,333	Appia Energy Corp.			484,196	188,077	
812,136	IsoEnergy Ltd.			268,005	479,160	
4,309,461	Uracan Resources Ltd.			128,635	107,737	
				<u>880,836</u>	<u>774,974</u>	
Financials (0.00%)						
416,666	Cleghorn Minerals Ltd., Warrants	18/02/2018	\$0.15	-	-	
				<u>-</u>	<u>-</u>	
TOTAL CANADIAN EQUITIES					<u>11,065,910</u>	<u>10,085,112</u>
UNITED STATES EQUITIES (0.00%)						
Base Metals (0.00%)						
187,500	Nextsource Materials Inc., Warrants**	04/05/2018	\$0.14	-	-	
				<u>-</u>	<u>-</u>	
TOTAL UNITED STATES EQUITIES					<u>-</u>	<u>-</u>

*Average cost includes transaction costs.

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

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

AUDITED FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31, 2017

Number of Shares, Units or Warrants	Expiry Date	Exercise Price	Average Cost*	Fair Value
Total cost and fair value of investments (58.79%)			\$ 11,065,910	\$ 10,085,112
Transaction costs (note 6)			(24)	-
Total investments			11,065,886	10,085,112
Other Assets Less Liabilities (41.21%)			7,067,910	7,067,910
Net assets attributable to holders of redeemable units			<u>\$ 18,133,796</u>	<u>\$ 17,153,022</u>

*Average cost includes transaction costs.

PORTFOLIO CONCENTRATION (CDN \$)

Portfolio by Category	% of Net Assets Attributable to Holders of Redeemable Units	
	December 31, 2017	December 31, 2016
Base Metals	29.18%	53.58%
Precious Metals	25.09%	15.34%
Energy	4.52%	17.49%
Other Assets Less Liabilities	41.21%	13.59%
Total	<u>100.00%</u>	<u>100.00%</u>

See accompanying notes.

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at,

	December 31, 2017 (\$)	December 31, 2016 (\$)
Assets (Note 2)		
Current Assets		
Investments at fair value	102,194	249,806
Cash	3,101	17,757
Accrued dividend receivable	413	419
Receivable for investments sold	46,409	-
Refundable taxes receivable (Note 5)	105,491	20,818
Receivable from other corporate series (Note 4)	-	83,630
Prepaid fees	15,923	15,216
	<u>273,531</u>	<u>387,646</u>
Liabilities (Note 2)		
Current Liabilities		
Management fees payable	32	46
Other payables and accrued expenses	10,786	12,584
Payable on redemption of redeemable shares	-	4,791
Payable to other corporate series	1,043	-
	<u>11,861</u>	<u>17,421</u>
Net assets attributable to holders of redeemable shares (Note 3)	<u>261,670</u>	<u>370,225</u>
Net assets attributable to holders of redeemable shares (Note 3)		
Series A-Rollover	259,940	368,055
Series A-Regular	1,730	2,170
Net assets attributable to holders of redeemable shares per share		
Series A-Rollover	0.18	0.23
Series A-Regular	0.23	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

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the years ended December 31,

	2017 (\$)	2016 (\$)
Income		
Dividends	3,906	2,718
Securities lending income (Note 7)	310	66
Net realized gain (loss) on sale of investments	17,711	(28,412)
Change in net unrealized appreciation (depreciation) on investments	(43,454)	99,302
Total Income (loss)	(21,527)	73,674
Expenses (Note 4)		
Management fees	6,876	10,283
Transaction costs (Note 6)	528	1,232
Interest charges	-	1
Operating fees	35,222	21,630
Audit fees	243	982
Custodian fees	5,897	5,801
Legal fees	43	16,076
Independent review committee fees	58	63
Unitholder reporting costs	2,923	7,330
Total Expenses	51,790	63,398
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	(73,317)	10,276
Increase (decrease) in net assets attributable to holders of redeemable shares from operations per class		
Series A-Rollover	(72,877)	10,203
Series A-Regular	(440)	73
Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share		
Series A-Rollover	(0.05)	0.01
Series A-Regular	(0.06)	0.01

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

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

For the years ended December 31,

	<u>2017 (\$)</u>	<u>2016 (\$)</u>	<u>2017 (\$)</u>	<u>2016 (\$)</u>
	Series A-Rollover		Series A-Regular	
Net assets attributable to holders of redeemable shares, beginning of year	368,055	495,092	2,170	2,097
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	(72,877)	10,203	(440)	73
Redeemable share transactions (Note 3)				
Proceeds from sale of redeemable shares	-	3,227	-	-
Amounts paid on redemption of redeemable shares	(35,238)	(140,467)	-	-
Net redeemable share transactions	(35,238)	(137,240)	-	-
Net Increase (decrease) in net assets attributable to holders of redeemable shares	(108,115)	(127,037)	(440)	73
Net assets attributable to holders of redeemable shares, end of year	259,940	368,055	1,730	2,170
			<u>2017 (\$)</u>	<u>2016 (\$)</u>
			Total	
Net assets attributable to holders of redeemable shares, beginning of year			370,225	497,189
Increase (decrease) in net assets attributable to holders of redeemable shares from operations			(73,317)	10,276
Redeemable share transactions (Note 3)				
Proceeds from sale of redeemable shares			-	3,227
Amounts paid on redemption of redeemable shares			(35,238)	(140,467)
Net redeemable unit transactions			(35,238)	(137,240)
Net Increase (decrease) in net assets attributable to holders of redeemable shares			(108,555)	(126,964)
Net assets attributable to holders of redeemable shares, end of year			261,670	370,225

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW (CDN \$)

For the years ended December 31,

	2017 (\$)	2016 (\$)
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	(73,317)	10,276
Adjustments for:		
Net realized loss (gain) on sale of investments	(17,711)	28,412
Change in net unrealized depreciation (appreciation) on investments	43,454	(99,302)
Purchases of investments	(51,703)	(140,340)
Proceeds from sale and maturity of investments	127,163	146,946
Accrued dividend receivable	6	(87)
Refundable taxes receivable	(84,673)	83,630
Prepaid fees	(707)	(189)
Receivable from other corporate series	83,630	(83,630)
Payable to other corporate series	1,043	-
Management fees payable	(14)	15
Other payables and accrued expenses	(1,798)	3,581
Net cash from (used in) operating activities	25,373	(50,688)
Cash flows from (used in) financing activities		
Proceeds from sale of redeemable shares	-	3,227
Amounts paid on redemption of redeemable shares	(40,029)	(135,676)
Net cash from (used in) financing activities	(40,029)	(132,449)
Net increase (decrease) in cash	(14,656)	(183,137)
Cash (bank indebtedness) at beginning of year	17,757	200,894
Cash (bank indebtedness) at end of year	3,101	17,757
Supplementary disclosures on cash flow from operating activities:		
Dividends received	3,912	2,631
Interest paid	-	(1)

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - ENERGY SERIES FUND

AUDITED FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31, 2017

Number of Shares		Average Cost*	Fair Value
CANADIAN EQUITIES (39.05%)			
Oil & Gas (25.19%)			
4,646	Athabasca Oil Corp.	\$ 7,970	\$ 4,971
833,334	Birch Lake Energy Inc.	4,167	1
341	Bonterra Energy Corp.	5,831	5,217
166,666	Golden Coast Energy Corp.	4,167	-
311	Paramount Resources Ltd.	4,140	6,040
238	Parkland Fuel Corp.	6,750	6,390
336	Seven Generations Energy Ltd.	5,270	5,975
880	Spartan Energy Corp.	5,773	6,328
132	Suncor Energy Inc.	6,097	6,092
99	TransCanada Corp.	4,918	6,057
133	Vermilion Energy Inc.	6,766	6,075
738	Whitecap Resources Inc.	7,821	6,605
1,241	Yangarra Resources Ltd.	3,043	6,168
		<u>72,713</u>	<u>65,919</u>
Oil & Gas Services (13.86%)			
1,027	Calfrac Well Services Ltd.	3,605	6,141
937	CES Energy Solutions Corp.	3,589	6,119
901	Ensign Energy Services Inc.	8,584	5,829
230	Inter Pipeline Ltd.	5,709	5,987
172	Keyera Corp.	7,667	6,092
411	Total Energy Services Inc.	5,493	6,107
		<u>34,647</u>	<u>36,275</u>
TOTAL CANADIAN EQUITIES		<u>107,360</u>	<u>102,194</u>
Total cost and fair value of investments (39.05%)		107,360	102,194
Transaction costs (note 6)		(147)	-
Total investments		107,213	102,194
Other Assets Less Liabilities (60.95%)		159,476	159,476
Net assets attributable to holders of redeemable units		<u>\$ 266,689</u>	<u>\$ 261,670</u>

*Average cost includes transaction costs.

PORTFOLIO CONCENTRATION (CDN \$)

Portfolio by Category	% of Net Assets Attributable to Holders of Redeemable Units	
	December 31, 2017	December 31, 2016
Oil & Gas	25.19%	49.05%
Oil & Gas Services	13.86%	18.42%
Other Assets Less Liabilities	60.95%	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

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at,

	December 31, 2017 (\$)	December 31, 2016 (\$)
Assets (Note 2)		
Current Assets		
Investments at fair value	6,431,069	10,598,592
Cash	1,951,667	372,945
Accrued dividend receivable	37,915	59,663
Refundable taxes receivable (Note 5)	920,994	819,430
Prepaid fees	15,923	15,216
	<u>9,357,568</u>	<u>11,865,846</u>
Liabilities (Note 2)		
Current Liabilities		
Management fees payable	917	1,292
Other payables and accrued expenses	119,916	70,775
Payable on redemption of redeemable shares	-	53,553
Payable to other corporate series	101,564	77,559
	<u>222,397</u>	<u>203,179</u>
Net assets attributable to holders of redeemable shares (Note 3)	<u>9,135,171</u>	<u>11,662,667</u>
Net assets attributable to holders of redeemable shares (Note 3)		
Series A-Regular	5,713,375	9,118,211
Series F	3,337,130	2,460,896
Series I	84,666	83,560
Net assets attributable to holders of redeemable shares per share		
Series A-Regular	14.34	14.31
Series F	13.81	13.63
Series I	16.93	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

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the years ended December 31,

	2017 (\$)	2016 (\$)
Income		
Dividends	319,038	265,042
Interest for distribution purposes	2,024	14
Securities lending income (Note 7)	11,054	2,587
Distribution from investment trusts	19,064	44,588
Net realized gain (loss) on sale of investments	620,209	475,866
Net realized gain (loss) on option contracts	-	25,793
Foreign exchange gain (loss)	(42,287)	(125,298)
Change in net unrealized appreciation (depreciation) on investments	(605,172)	119,853
Total Income (loss)	323,930	808,445
Expenses (Note 4)		
Management fees	192,740	213,387
Foreign taxes withheld (Note 5)	376	4,460
Transaction costs (Note 6)	23,264	69,188
Interest charges	215	1,199
Operating fees	42,309	52,565
Audit fees	10,954	19,539
Custodian fees	6,784	9,379
Legal fees	13,236	37,566
Trustee fees	-	250
Independent Review Committee fees	1,944	1,677
Unitholder reporting costs	2,727	4,101
Total Expenses	294,549	413,311
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	29,381	395,134
Increase (decrease) in net assets attributable to holders of redeemable shares from operations per class		
Series A-Regular	(32,890)	301,079
Series F	61,165	90,073
Series I	1,106	3,982
Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share		
Series A-Regular	(0.07)	0.53
Series F	0.30	0.52
Series I	0.22	0.80

The accompanying notes form an integral part of the financial statements

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

ANNUAL AUDITED FINANCIAL STATEMENTS

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

For the years ended December 31,

	<u>2017 (\$)</u>	<u>2016 (\$)</u>	<u>2017 (\$)</u>	<u>2016 (\$)</u>
	Series A-Regular		Series F	
Net assets attributable to holders of redeemable shares, beginning of year	9,118,211	7,374,406	2,460,896	2,380,418
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	(32,890)	301,079	61,165	90,073
Redeemable share transactions (Note 3)				
Proceeds from sale of redeemable shares	19,724	3,437,789	985,902	330,540
Amounts paid on redemption of redeemable shares	(3,391,670)	(1,995,063)	(170,833)	(340,135)
Net redeemable share transactions	(3,371,946)	1,442,726	815,069	(9,595)
Net Increase (decrease) in net assets attributable to holders of redeemable shares	(3,404,836)	1,743,805	876,234	80,478
Net assets attributable to holders of redeemable shares, end of year	5,713,375	9,118,211	3,337,130	2,460,896
	<u>2017 (\$)</u>	<u>2016 (\$)</u>	<u>2017 (\$)</u>	<u>2016 (\$)</u>
	Series I		Total	
Net assets attributable to holders of redeemable shares, beginning of year	83,560	79,578	11,662,667	9,834,402
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	1,106	3,982	29,381	395,134
Redeemable share transactions (Note 3)				
Proceeds from sale of redeemable shares	-	-	1,005,626	3,768,329
Amounts paid on redemption of redeemable shares	-	-	(3,562,503)	(2,335,198)
Net redeemable unit transactions	-	-	(2,556,877)	1,433,131
Net Increase (decrease) in net assets attributable to holders of redeemable shares	1,106	3,982	(2,527,496)	1,828,265
Net assets attributable to holders of redeemable shares, end of year	84,666	83,560	9,135,171	11,662,667

The accompanying notes form an integral part of the financial statements

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

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW (CDN \$)

For the years ended December 31,

	2017 (\$)	2016 (\$)
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	29,381	395,134
Adjustments for:		
Foreign exchange loss (gain)	42,287	125,298
Net realized loss (gain) on sale of investments	(620,209)	(475,866)
Change in net unrealized depreciation (appreciation) on investments	605,172	(119,853)
Purchases of investments	(5,529,453)	(21,070,334)
Proceeds from sale and maturity of investments	9,712,013	19,056,045
Accrued dividend receivable	21,748	(38,042)
Refundable taxes receivable	(101,564)	(199,178)
Prepaid fees	(707)	(189)
Payable to other corporate series	24,005	77,559
Management fees payable	(375)	756
Other payables and accrued expenses	49,141	(38,615)
Net cash from (used in) operating activities	4,231,439	(2,287,285)
Cash flows from (used in) financing activities		
Proceeds from sale of redeemable shares	1,005,626	3,768,329
Amounts paid on redemption of redeemable shares	(3,616,056)	(2,281,645)
Net cash from (used in) financing activities	(2,610,430)	1,486,684
Foreign exchange gain (loss)	(42,287)	(125,298)
Net increase in cash	1,621,009	(800,601)
Cash at beginning of year	372,945	1,298,844
Cash at end of year	1,951,667	372,945
Supplementary disclosures on cash flow from operating activities:		
Dividends received	340,786	227,000
Foreign taxes paid	(376)	(4,460)
Interest received	2,024	14
Interest paid	(215)	(1,199)

The accompanying notes form an integral part of the financial statements

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

AUDITED FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31, 2017

Number of Shares		Average Cost*	Fair Value
CANADIAN EQUITIES (67.35%)			
Energy (19.49%)			
10,083	AltaGas Ltd.	\$ 322,855	\$ 288,575
14,172	ARC Resources Ltd.	335,080	209,037
15,463	Bonterra Energy Corp.	264,422	236,584
20,094	Cameco Corp.	259,614	233,291
39,505	Ensign Energy Services Inc.	330,554	255,597
10,527	Parkland Fuel Corp.	298,575	282,650
30,684	Whitecap Resources Inc.	337,595	274,622
		<u>2,148,695</u>	<u>1,780,356</u>
Industrials (9.95%)			
12,780	Russel Metals Inc.	331,720	372,793
33,900	Student Transportation Inc.	268,237	262,386
11,100	Wajax Corp.	267,207	273,837
		<u>867,164</u>	<u>909,016</u>
Consumer Discretionary (9.28%)			
5,468	Magna International Inc.	356,298	389,541
13,100	Park Lawn Corp.	253,490	299,335
109	The Stars Group Inc.	109,700	158,635
		<u>719,488</u>	<u>847,511</u>
Utilities (8.90%)			
29,815	Algonquin Power & Utilities Corp.	334,822	419,199
16,077	Capital Power Corp.	350,375	393,726
		<u>685,197</u>	<u>812,925</u>
Financials (7.43%)			
3,183	Canadian Imperial Bank of Commerce	334,991	390,045
5,573	Sun Life Financial Inc.	262,436	289,127
		<u>597,427</u>	<u>679,172</u>
Healthcare (3.60%)			
35,942	Extendicare Inc.	340,353	328,869
		<u>340,353</u>	<u>328,869</u>
Consumer Staples (3.26%)			
22,203	KP Tissue Inc.	351,493	297,520
		<u>351,493</u>	<u>297,520</u>
Materials (2.94%)			
13,851	Chemtrade Logistics Income Fund	264,139	268,709
		<u>264,139</u>	<u>268,709</u>
Information Technology (2.50%)			
142,461	AcuityAds Holdings Inc.	213,692	228,009
		<u>213,692</u>	<u>228,009</u>
TOTAL CANADIAN EQUITIES		<u>6,187,648</u>	<u>6,152,087</u>
UNITED STATES EQUITIES (3.05%)			
Utilities (3.05%)			
6,368	Brookfield Renewable Partners LP	260,348	278,982
		<u>260,348</u>	<u>278,982</u>
TOTAL UNITED STATES EQUITIES		<u>260,348</u>	<u>278,982</u>
Total cost and fair value of investments (70.40%)		6,447,996	6,431,069
Transaction costs (note 6)		(10,606)	-
Total investments		6,437,390	6,431,069
Other Assets Less Liabilities (29.60%)		2,704,102	2,704,102
Net assets attributable to holders of redeemable units		<u>\$ 9,141,492</u>	<u>\$ 9,135,171</u>

*Average cost includes transaction costs.
See accompanying notes.

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

AUDITED FINANCIAL STATEMENTS

PORTFOLIO CONCENTRATION (CDN \$)

Portfolio by Category	% of Net Assets Attributable to Holders of Redeemable Units	
	December 31, 2017	December 31, 2016
Energy	19.49%	12.12%
Utilities	11.95%	17.76%
Industrials	9.95%	23.34%
Consumer Discretionary	9.28%	8.73%
Financials	7.43%	6.88%
Healthcare	3.60%	3.04%
Consumer Staples	3.26%	2.98%
Materials	2.94%	14.78%
Information Technology	2.50%	1.25%
Other Assets Less Liabilities	29.60%	9.12%
Total	100.00%	100.00%

See accompanying notes.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the years ended December 31, 2017 and 2016

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

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

These financial statements were authorized for issue by the Manager on March 29, 2018.

(b) Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires the Fund Manager to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. Significant estimates include the valuation of investments and derivatives and significant judgments include the determination of functional currency, classification of redeemable units, designation of investments as FVTPL and classification of the Fund as an investment entity. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

The Funds hold financial instruments that are not quoted in active markets, including derivatives. Fair values may be determined using reputable pricing vendors (for derivatives) or indicated prices from market makers/brokers. Broker quotes as obtained from pricing sources may be indicative and not executable or binding. Securities not listed upon a recognized public stock exchange, or securities for which a last sale or closing price are unavailable or securities for which market quotations are, in the Manager's opinion, inaccurate, unreliable or not reflective of all available material information, are valued at their estimated fair value, determined by using appropriate and accepted industry valuation techniques including valuation models. The estimated fair value of a security determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's) and volatility. Changes in assumption about these factors could affect the reported fair value of financial instruments and the level where the instruments are disclosed in the fair value hierarchy. To assess the significance, the Funds perform sensitivity analysis of these estimates to the fair value of the fund holdings (see Note 10).

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars (CAD) which is the Funds' functional currency. The Funds' subscriptions and redemptions are denominated in Canadian dollars (CAD).

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains and losses on investments and realized and unrealized foreign exchange gains and losses on currency are included in "Foreign exchange gain (loss) on cash" in the Statements of Comprehensive Income.

(d) Basis of measurement

These financial statements have been prepared on a historical cost basis except for investments which are measured at fair value in the Statements of Financial Position.

(e) Financial instruments

The Funds recognize a financial asset or a financial liability when they become a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

The Funds classify their financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the years ended December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities at fair value through profit or loss (FVTPL)

The category of financial assets and liabilities at fair value through the profit or loss is sub-divided into:

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives, debentures and liabilities from short sales of financial instruments are classified as held for trading. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as at fair value through profit or loss upon initial recognition. These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's simplified prospectus.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statements of Financial Position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. In circumstances where the close price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value. All transaction costs for such instruments are recognized directly in profit or loss.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include discounted cash flow analysis and option pricing models, which considers factors such as the market value of the underlying security, strike price, volatility and terms of the warrants or options.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statements of Comprehensive Income within change in unrealized appreciation (depreciation) on investments in the period in which they arise. Interest and dividend earned or paid on these instruments are recorded separately in interest for distribution purposes and dividends revenue or expense.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are measured at amortized cost. Transaction costs are included in the initial carrying amount of the asset.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Financial liabilities classified as other financial liabilities are subsequently measured at amortized cost. Transaction costs are included in the initial carrying amount of the liability.

Classification of its financial instruments is as follows:

Investments at fair value	FVTPL
Cash	FVTPL
Accrued interest receivable	Loans and receivables
Accrued dividends receivable	Loans and receivables
Other receivable	Loans and receivables
Receivable for investments sold	Loans and receivables
Receivable from other corporate series	Loans and receivables
Other payables and accrued expenses	Other financial liabilities
Payable on redemption of redeemable units	Other financial liabilities
Payable for investments purchased	Other financial liabilities
Payable to other corporate series	Other financial liabilities
Payable to manager	Other financial liabilities

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the years ended December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The breakdown into the three-level hierarchy is provided in Note 10.

Financial assets are de-recognized when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all risks and rewards of ownership. The Funds derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire. On de-recognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in the Statements of Comprehensive Income.

A financial asset at amortized cost is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the Statements of Comprehensive Income and reflected in an allowance account against receivables. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through the Statements of Comprehensive Income.

(f) Cash

Cash in the Statements of Financial Position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash'.

For the purpose of the Statements of Cash Flows, cash consist of cash defined above, net of outstanding bank overdrafts when applicable.

(g) Redeemable participating shares

Redeemable participating shares are redeemable at the shareholder's option and are classified as other financial liabilities. They are measured at the redeemable amount.

Net asset value per redeemable participating share of each series is calculated daily (unless such day is not a business day, in which case the last business day prior to such day is used) (each a "valuation day") by dividing the net asset value of each series by the outstanding shares of that series. The net asset value of each series is computed by calculating the fair value of the assets less liabilities of the series.

(h) Provisions

A provision is recognized if, as a result of a past event, the Funds have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Valuation of Redeemable Participating Shares

The value at which shares are issued or redeemed is the Net Asset Value per share. Net asset value per share for each series is calculated at the end of each day on which the Funds' Manager is open for business ("valuation day") by dividing the net asset value ("Transactional NAV") of each series by its outstanding shares. The net asset value of each series is computed by calculating the value of the series' proportionate share of the Fund's assets less the series' proportionate share of the Fund's common liabilities and less series-specific liabilities. Expenses directly attributable to a series are charged to that series while common Fund expenses are allocated to each series in a reasonable manner as determined by the Manager. Other income and realized and unrealized gains and losses are allocated to each series of the Fund based on that series' pro rata share of total net asset value of that Fund. Amounts received on the issuance of shares and amounts paid on the redemption of shares are included on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares.

(j) Increase (decrease) in Net Assets Attributable to Holders of Redeemable Shares From Operations Per Share

Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share is based on the increase (decrease) in net assets attributable to holders of redeemable shares from operations attributable to each series of the Fund divided by the weighted average number of shares of that series outstanding during the year.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the years ended December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investment Income Recognition

Dividend

Dividend income is recognized in the Statements of Comprehensive Income on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend.

Interest for distribution purposes

Interest for distribution purposes as disclosed in the Statements of Comprehensive Income on debt securities at fair value through profit or loss is recognized on an accrual basis and represents the coupon interest received by the Funds accounted for on an accrual basis. The Funds does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Distribution income from investment trust

Distributions from income trusts, mutual funds and REIT's are recognized on the ex-distribution date and are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Distributions from investment trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment.

Distribution on redeemable shares

Distributions on redeemable shares are presented as an expense within the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares.

Realized and unrealized gains and losses

Realized gains and losses on sale of investments, and unrealized appreciation and depreciation on investments, are calculated on an average cost basis.

(l) Valuation of Investments

- I. Securities listed upon a recognized public stock exchange are valued at their close prices on the valuation date. In circumstances where the close price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.
- II. Securities not listed upon a recognized public stock exchange, or securities for which a close price, last sale or bid price are unavailable or securities for which market quotations are, in the Manager's opinion, inaccurate, unreliable or not reflective of all available material information, are valued at their estimated fair value, determined by using appropriate and accepted industry valuation techniques including valuation models. The estimated fair value of a security determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the estimated fair value of a security may be determined using valuation techniques that are not supported by observable market data.
- III. Warrants which do not have a quoted close price are carried at the difference between the exercise price and the quoted close price of the underlying security if the exercise price is lower than the quoted close price.
- IV. Securities which are restricted or limited by law (including by investment letter, escrow provisions or other representation, undertaking or agreement) will be subject to temporary trading restrictions and cannot be sold until the applicable holding period expires. The fair value of those security for the duration of the holding period shall be the reported market value of the same class of shares of that security which is not subject to a restriction based on reported quotations in common use less an appropriate discount.

(m) Investment Transactions

Investment transactions are accounted for on the date the order to buy or sell is executed. Realized gains or losses from investment transactions and unrealized appreciation or depreciation are calculated on an average cost basis.

(n) Derivative contracts

The fair value of futures contracts fluctuates daily, and cash settlements made daily by the Funds are equal to the unrealized gains or losses on a "mark to market" basis. The unrealized gains or losses are recorded and reported as such until the Funds close out the contract or the contract expires. Margin paid or deposited in respect of futures contracts is reflected in the Statements of Financial Position. Any change in the margin requirement is settled daily.

Realized gains and losses on the settlement of derivative contracts, (i.e. used to gain exposure to a particular market, security or currency) are included in income under "Income (loss) from derivatives", in the Statements of Comprehensive Income. Unrealized gains and losses are included in "Change in unrealized appreciation (depreciation) on investments", in the Statements of Comprehensive Income.

(o) Options

Certain Funds may write or purchase call and put options and futures and swaps. The premium received from writing a call or put option is recorded as a liability in the Statements of Financial Position. The premium paid from purchasing a call or put option is recorded as an asset in the Statements of Financial Position. The premium is valued at an amount equal to the fair value of the option that would have the effect of closing the position. The difference between the premium and the fair value is shown as "Change in net unrealized appreciation (depreciation) on investments", in the Statements of Comprehensive Income.

When a written option expires, the Fund will realize a gain equal to the premium received. When a written option is closed, the Fund will realize a gain or loss equal to the difference between the proceeds and the premium received. When a written call option is exercised, the premium received is added to the proceeds from the sale of the underlying investment to determine the realized gain or loss.

When a written put option is exercised, the premium received will reduce the cost of the investment the Fund purchased upon exercise of the option. When a purchased option expires, the Fund will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the Fund will realize will be the difference between the proceeds and the premium paid.

When a purchased put option is exercised, the premium paid is deducted from the proceeds from the sale of the underlying investments to determine the realized gain or loss. When a purchased call option is exercised, the premium received will increase the cost of the investment the Fund purchased upon exercise of the option. Payments received or paid upon early termination are recorded as "Income (loss) from derivatives" in the Statements of Comprehensive Income.

The gain or loss that the Fund realizes when a written or purchased option is expired, closed or exercised is recorded as "Income (loss) from derivatives" in the Statements of Comprehensive Income.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the years ended December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Distributions to Shareholders

Distributions are recorded by the Funds on the business day immediately following record date.

(q) Transaction Costs

Transaction costs are expensed and are included in "Transaction costs" in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers, and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

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 years ended December 31, 2017 and 2016 the following shares were issued (including transfers from other series) and redeemed (including transfers to other series):

December 31, 2017	Outstanding beginning of year	Shares issued	Shares redeemed	Outstanding end of year
Explorer Series Fund				
Series A-Rollover	20,222,379	51,772,037	(45,407,500)	26,586,916
Series A-Regular	15,586	3,260	-	18,846
Series F	16,099	2,553,590	(14,841)	2,554,848
Energy Series Fund				
Series A-Rollover	1,612,324	-	(183,258)	1,429,066
Series A-Regular	7,524	-	-	7,524
Flex Dividend and Income Growth™ Series Fund				
Series A-Regular	637,044	1,411	(240,019)	398,436
Series F	180,507	73,659	(12,590)	241,576
Series I	5,000	-	-	5,000

December 31, 2016	Outstanding beginning of year	Shares issued	Shares redeemed	Outstanding end of year
Explorer Series Fund				
Series A-Rollover	17,390,822	68,506,843	(65,675,286)	20,222,379
Series A-Regular	18,153	2,496	(5,063)	15,586
Series F	14,297	12,772	(10,970)	16,099
Energy Series Fund				
Series A-Rollover	2,240,329	15,024	(643,029)	1,612,324
Series A-Regular	7,524	-	-	7,524
Flex Dividend and Income Growth™ Series Fund				
Series A-Regular	534,273	246,782	(144,011)	637,044
Series F	183,172	24,756	(27,421)	180,507
Series I	5,000	-	-	5,000

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%	1.0%	Negotiated
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 issue 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 years ended December 31, 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.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the years ended December 31, 2017 and 2016

4. EXPENSES AND RELATED PARTY TRANSACTIONS (continued)

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 year ended December 31, 2017, approximately \$47,342 (2016 - \$53,290) 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 year ended December 31, 2017 the total soft dollars benefits received for the Funds was \$26,695 (2016 - \$26,779).

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

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 102% 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 December 31, 2017 and 2016 are as follows:

December 31, 2017	Outstanding loans	Collateral amount	Collateral as percentage of securities loaned	
			\$	%
Explorer Series Fund	9,805	10,296		105%
Energy Series Fund	28,518	29,949		105%
Flex Dividend and Income Growth™ Series Fund	1,710,600	1,796,133		105%

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%

Marquest Mutual Funds Inc.

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For the years ended December 31, 2017 and 2016

7. SECURITIES LENDING TRANSACTIONS (continued)

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.

December 31, 2017	Gross securities	Securities		Net securities	Withholding	Net income
	lending income	lending charge		lending income	taxes	received
	\$	\$	%	\$	\$	\$
Explorer Series Fund	6,367	2,211	35	4,156	222	3,934
Energy Series Fund	506	168	33	338	28	310
Flex Dividend and Income Growth™ Series Fund	17,384	6,081	35	11,303	249	11,054
December 31, 2016	Gross securities	Securities		Net securities	Withholding	Net income
	lending income	lending charge		lending income	taxes	received
	\$	\$	%	\$	\$	\$
Explorer Series Fund	3	1	33	2	-	2
Energy Series Fund	153	54	35	99	33	66
Flex Dividend and Income Growth™ Series Fund	4,265	1,488	35	2,777	190	2,587

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 Québec 2016-I Super Flow Through LP	08/18/2017	Explorer Series Fund	A-Rollover	3,709,831	6,587,058	110.986653
Marquest Mining 2016 - I Super Flow Through LP	09/15/2017	Explorer Series Fund	A-Rollover	1,875,551	3,185,919	113.297277
Marquest Mining Québec 2016-II Super Flow Through LP	09/15/2017	Explorer Series Fund	A-Rollover	3,430,186	5,826,713	121.897758
Marquest 2016-II Mining Super Flow Through LP - National Class	11/10/2017	Explorer Series Fund	A-Rollover	6,488,924	11,308,685	10.087853
Marquest 2016-II Mining Super Flow Through LP - Québec Class	11/10/2017	Explorer Series Fund	A-Rollover	6,362,304	11,088,016	9.909463
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.

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 year. 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.

Marquest Mutual Funds Inc.

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For the years ended December 31, 2017 and 2016

10. FINANCIAL INSTRUMENTS

(a) Fair Value

Financial instruments of the Funds include cash, accrued dividend receivable, accrued interest receivable, other receivable, receivable for investment securities sold, receivable from other corporate series, other payables and accrued expenses, payable for redeemable shares, payable for investment purchased, payable to other corporate series and due to manager. 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.

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 December 31, 2017 and 2016:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2017				
Explorer Series Fund	8,940,091	993,645	151,376	10,085,112
Energy Series Fund	102,193	-	1	102,194
Flex Dividend and Income Growth™ Series Fund	6,044,425	386,644	-	6,431,069
December 31, 2016				
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 year ended December 31, 2017, there were no transfers. During the year ended December 31, 2016, \$111,818 was 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 years ended December 31, 2017 and 2016:

	Explorer Series Fund	Energy 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	149,500	-
Sold	-	-
Net realized gain (loss) on sale of investments	-	-
Change in unrealized appreciation (depreciation) in value	(19,998)	(4,166)
Total Level 3 value, December 31, 2017	151,376	1

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 December 31, 2017 the Explorer Series Fund and the Energy Series Fund Series Fund have investments of \$151,376 and \$1 (December 31, 2016 - \$21,874 and \$4,167) respectively in level 3 securities. The fair value of the securities during the year 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.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

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10. FINANCIAL INSTRUMENTS (continued)

(a) Fair Value (continued)

The Manager estimates fair values for these securities using the best information available as of December 31, 2017 and 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.

Fair Value of Holdings Based On Alternative Assumptions

December 31, 2017	Fair Value as Reported \$	Potential Range of Fair Value \$	
		+25%	-25%
Explorer Series Fund	151,376	38,000	(38,000)
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	5,500	(5,500)
Energy Series Fund	4,167	1,000	(1,000)

(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 December 31, 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 table below indicates the foreign currencies to which the Funds have significant exposure as at December 31, 2016 in Canadian dollar terms. The table also illustrates 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.

The Funds did not have significant foreign currencies exposure as at December 31, 2017 in Canadian dollar terms.

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 years ended December 31, 2017 and 2016

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 December 31, 2017 and 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:

December 31, 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	10,085,112	58.8	1,008,511
Energy Series Fund	102,194	39.1	10,219
Flex Dividend and Income Growth™ Series Fund	6,431,069	70.4	643,107

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. The fair values of these securities may not be indicative of what the Funds could realize on the immediate sale as it may take a significant amount of time to liquidate positions without causing a significant negative impact on the fair value. 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 December 31, 2017 and 2016 is shown in Fund's Schedule of Investment Portfolio.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian Dollars)

For the years ended December 31, 2017 and 2016

11. RECONCILIATION OF NET ASSET VALUE

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 December 31, 2017 and 2016 there were no differences between the net asset value per share and the net asset per unit per share of the funds.

12. FUTURE ACCOUNTING PRONOUNCEMENTS

The IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Fund is performing an assessment of all aspects of IFRS 9 and plans to adopt the new standard on the required effective date.

Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Consideration of the Funds business model and the contractual cash flows associated with the financial instrument is required under IFRS 9 to determine the classification and measurement categories.

The Fund will analyze the contractual cash flow characteristics of financial instruments in more detail before concluding whether financial instruments meet the criteria for FVTPL, FVOCI or amortized cost measurement under IFRS 9.

IFRS 9 also introduces an expected credit loss model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The impact of this will depend on the classification and measurement of the entities financial instruments.

The Fund has not applied hedge accounting under IAS 39 and will not apply hedge accounting under IFRS 9.

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