MARQUEST MUTUAL FUNDS, INC.

ANNUAL REPORT

Period ended December 31, 2018

MARQUEST
ASSET MANAGEMENT INC.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Marquest Mutual Funds Inc. – Explorer Series Fund
Marquest Mutual Funds Inc. – Flex Dividend and Income Growth™ Series Fund

(collectively, the "Funds")

Opinion

We have audited the financial statements of the Funds, which comprise the statements of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2018, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance of the Funds. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance of the Funds prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The financial statements of the Funds for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on March 29, 2018.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

April 1, 2019

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION (CDN $)

As at

	December 31, 2018 ($)	December 31, 2017 ($)
Assets		
Current Assets		
Investments at fair value	7,243,235	10,085,112
Cash	1,875,530	6,245,151
Receivable for investments sold	19,660	8,639
Refundable taxes receivable (Note 5)	1,106,598	800,607
Receivable from other corporate series (Note 4)	-	102,607
Prepaid fees	16,293	15,923
Total Assets	10,261,316	17,258,039
Liabilities		
Current Liabilities		
Management fees payable	3,467	2,017
Other payables and accrued expenses	22,873	84,161
Payable on redemption of redeemable shares	90,383	18,839
Total Liabilities	116,723	105,017
Net Assets Attributable to Holders of Redeemable Shares (Note 3)	10,144,593	17,153,022
Net Assets Attributable to Holders of Redeemable Shares per Series		
Series A-Rollover	9,352,613	15,656,403
Series A-Regular	8,495	12,079
Series F	783,485	1,484,540
Net Assets Attributable to Holders of Redeemable Shares per Share (Note 3)		
Series A-Rollover	0.43	0.59
Series A-Regular	0.47	0.64
Series F	0.43	0.58

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, 2018 ($)	December 31, 2017 ($)
Income		
Dividends	52,087	59,700
Interest for distribution purposes	17,253	993
Securities lending income (Note 7)	10,376	3,934
Foreign exchange gain (loss) on cash	3	(12,333)
Net realized gain (loss) on sale of investments	(2,763,705)	1,918,548
Net change in unrealized appreciation (depreciation) on investments	(743,783)	862,566
Total Income (Loss)	(3,427,769)	2,833,408
Expenses (Note 4)		
Management fees	299,970	278,465
Transaction costs (Note 6)	145,253	198,671
Interest charges	36	5
Operating fees	157,958	112,695
Audit fees	17,583	23,277
Custodian fees	38,969	29,088
Legal fees	32,654	23,869
Independent review committee fees	3,142	2,363
Unitholder reporting costs	12,085	(1,415)
Total Expenses	707,650	667,018
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(4,135,419)	2,166,390
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Series		
Series A-Rollover	(3,836,888)	2,022,282
Series A-Regular	(3,279)	1,750
Series F	(295,252)	142,358
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share		
Series A-Rollover	(0.15)	0.09
Series A-Regular	(0.18)	0.10
Series F	(0.15)	0.14

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 periods ended December 31

	2018 ($)	2017 ($)	2018 ($)	2017 ($)
	Series A-Rollover		Series A-Regular	
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period	15,656,403	9,837,439	12,079	8,238
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(3,836,888)	2,022,282	(3,279)	1,750
Redeemable Share Transactions (Note 3)				
Amounts received from the issuance of shares	27,296,820	30,203,795	-	2,091
Amounts paid on redemption of shares	(29,763,722)	(26,407,113)	(305)	-
Net increase (decrease) from redeemable share transactions	(2,466,902)	3,796,682	(305)	2,091
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	(6,303,790)	5,818,964	(3,584)	3,841
Net Assets Attributable to Holders of Redeemable Shares, End of Period	9,352,613	15,656,403	8,495	12,079

	2018 ($)	2017 ($)	2018 ($)	2017 ($)
	Series F		Total	
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period	1,484,540	7,627	17,153,022	9,853,304
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(295,252)	142,358	(4,135,419)	2,166,390
Redeemable Share Transactions (Note 3)				
Amounts received from the issuance of shares	77,959	1,342,567	27,374,779	31,548,453
Amounts paid on redemption of shares	(483,762)	(8,012)	(30,247,789)	(26,415,125)
Net increase (decrease) from redeemable share transactions	(405,803)	1,334,555	(2,873,010)	5,133,328
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	(701,055)	1,476,913	(7,008,429)	7,299,718
Net Assets Attributable to Holders of Redeemable Shares, End of Period	783,485	1,484,540	10,144,593	17,153,022

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 periods ended

	December 31, 2018 ($)	December 31, 2017 ($)
Cash Flows from Operating Activities		
Increase (Decrease) in net assets attributable to holders of redeemable shares from operations	(4,135,419)	2,166,390
Adjustments for:		
Foreign exchange loss (gain) on cash	(3)	12,333
Net realized loss (gain) on sale of investments	2,763,705	(1,918,548)
Net change in unrealized depreciation (appreciation) on investments	743,783	(862,566)
Purchases of investments	(5,364,941)	(23,281,161)
Proceeds from sale and maturity of investments	18,685,486	24,483,482
Refundable taxes receivable	(305,991)	111,609
Prepaid fees	(370)	(707)
Receivable from other corporate series	102,607	(102,607)
Payable to other corporate series	-	(6,072)
Management fees payable	1,450	822
Other payables and accrued expenses	(61,288)	17,931
Net Cash from Operating Activities	12,429,019	620,906
Cash Flows from Financing Activities		
Amounts received from the issuance of shares	13,377,602	31,548,453
Amounts paid on redemption of shares	(30,176,245)	(26,406,926)
Net Cash from Financing Activities	(16,798,643)	5,141,527
Increase (Decrease) in Cash during the Period	(4,369,624)	5,762,433
Foreign exchange gain (loss) on cash	3	(12,333)
Cash (Bank Overdraft) at Beginning of Period	6,245,151	495,051
Cash (Bank Overdraft) at End of Period	1,875,530	6,245,151
Supplementary disclosures on cash flow from operating activities:		
Dividends received	52,087	59,700
Interest received	17,253	993
Interest paid	(36)	(5)

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN $)

As at December 31, 2018

	Number of Shares, Units or Warrants	Expiry Date	Exercise Price $	Average Cost $	Fair Value $
CANADIAN EQUITIES (71.40%)					
Precious Metals (39.03%)					
Amex Exploration Inc., Warrants	1,062,500	12/06/2019	0.45	1	1
Banyan Gold Corp.	2,234,333			102,210	100,545
Galway Metals Inc.	2,660,516			495,582	478,893
Galway Metals Inc.*	588,235			100,000	102,706
Galway Metals Inc., Warrants*	434,783	07/06/2020	0.35	-	-
Garibaldi Resources Corp., Warrants	225,542	01/10/2019	1.05	15,788	-
Globex Mining Enterprises Inc.	274,742			118,139	89,291
Golden Dawn Minerals Inc., Warrants	746,269	19/05/2019	0.80	2	1
Golden Dawn Minerals Inc., Warrants	649,123	15/09/2019	0.60	1	1
Goliath Resources Ltd.	2,954,544			250,000	251,136
Goliath Resources Ltd., Warrants	454,545	31/05/2020	0.22	-	-
Goliath Resources Ltd., Warrants	2,499,999	31/05/2020	0.30	3	3
Gowest Gold Ltd.	3,524,601			287,124	140,984
Gowest Gold Ltd., Warrants	1,597,222	15/11/2019	0.25	1	3
Intact Gold Corp., Warrants	625,000	19/05/2019	2.00	-	1
Juggernaut Exploration Ltd.	928,571			200,000	134,643
Juggernaut Exploration Ltd., Warrants	750,000	20/04/2021	0.50	-	1
Juggernaut Exploration Ltd., Warrants	178,571	20/06/2021	0.56	-	-
Lomiko Metals Inc., Warrants	500,000	22/06/2019	0.75	1	1
Lomiko Metals Inc., Warrants	961,538	04/07/2019	0.29	1	1
Metallic Minerals Corp.	2,268,000			540,187	476,280
ML Gold Corp., Warrants	625,000	26/06/2020	0.12	-	1
ML Gold Corp., Warrants	750,000	26/06/2020	0.14	1	1
New Age Metals Inc.	2,333,332			159,144	140,000
New Age Metals Inc., Warrants	1,333,333	21/06/2019	0.15	1	1
New Age Metals Inc., Warrants	833,333	07/05/2020	0.20	-	1
Nubian Resources Ltd.	400,000			100,000	42,000
Nubian Resources Ltd., Warrants	200,000	24/07/2020	0.40	-	-
Orford Mining Corp.	2,989,999			650,325	403,650
Pancontinental Resources Corp.*	714,286			50,000	41,571
Pancontinental Resources Corp., Warrants*	357,143	19/06/2020	0.12	-	-
Prosper Gold Corp., Warrants	1,000,000	05/08/2019	0.45	1	1
Prosper Gold Corp., Warrants	1,071,428	01/11/2019	0.55	1	1
Sage Gold Inc.	2,272,727			-	-
Sage Gold Inc., Warrants	1,136,363	01/12/2019	0.32	1	1
SilverCrest Metals Inc., Warrants	18,000	19/12/2019	1.45	-	45,720
Star Diamond Corp.	5,931,236			1,240,300	1,512,465
Trifecta Gold Ltd.	1			-	-
Visible Gold Mines Inc., Warrants	170,000	17/06/2019	1.00	2	-
				4,308,816	3,959,904
Base Metals (31.99%)					
Abcourt Mines Inc.	1,882,352			84,706	131,765
Abcourt Mines Inc., Warrants	330,000	22/12/2019	0.10	-	-
Aldever Resources Inc., Warrants	377,777	05/04/2019	0.52	-	-
Altair Resources Inc., Warrants	845,000	18/04/2020	0.26	-	1
Auxico Resources Canada Inc.	459,500			87,765	71,223
CBLT Inc.	1,000,000			52,500	22,500
Comstock Metals Ltd.	2,527,777			69,514	75,833
Comstock Metals Ltd., Warrants	2,538,888	28/06/2019	0.15	3	4
Copperbank Resources Corp., Warrants	1,974,500	21/10/2019	0.50	-	19,745
Eastmain Resources Inc.	466,667			91,000	77,000
Explor Resources Inc.	10,503,294			658,115	210,066
Fieldex Exploration Inc.	700,000			115,500	129,500
Fieldex Exploration Inc., Warrants	7,500,000	27/04/2021	1.00	-	8
Fieldex Exploration Inc., Warrants	1,000,000	01/06/2021	1.00	-	1

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

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL AUDITED FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN $)

As at December 31, 2018

	Number of Shares, Units or Warrants	Expiry Date	Exercise Price $	Average Cost $	Fair Value $
CANADIAN EQUITIES (CONT.) (71.40%)					
Base Metals (Cont.) (31.99%)					
Focus Graphite Inc.	5,511,780			165,615	165,353
Focus Graphite Inc., Warrants	1,970,000	30/09/2020	0.12	-	2
Focus Graphite Inc., Warrants	1,333,300	24/03/2021	0.10	-	1
Fortune Minerals Ltd., Warrants	626,200	08/03/2019	0.35	18,786	1
Group Ten Metals Inc.	853,000			119,420	149,275
Honey Badger Exploration Inc., Warrants	750,000	12/05/2019	0.35	-	1
Honey Badger Exploration Inc., Warrants	800,000	12/12/2019	0.25	-	1
MacDonald Mines Exploration Ltd., Warrants	2,142,858	29/12/2019	0.10	53,571	2
MGX Minerals Inc., Warrants	512,195	12/06/2019	1.15	-	1
Melkior Resources Inc.	5,748,307			344,898	689,797
Murchison Minerals Ltd.	2,164,833			194,835	151,538
Noront Resources Ltd., Warrants	428,572	17/03/2019	0.50	45	-
Noront Resources Ltd., Warrants	683,333	30/03/2019	0.55	-	1
Noront Resources Ltd., Warrants	540,625	23/09/2019	0.40	52	1
Noront Resources Ltd., Warrants	125,000	23/09/2019	0.50	-	-
North American Nickel Inc., Warrants	1,533,334	08/06/2019	0.12	46,000	2
Power Metals Corp.	2,466,501			839,950	456,302
Power Metals Corp., Warrants	583,333	07/07/2019	0.40	81,667	1
Power Metals Corp., Warrants	258,621	27/06/2020	0.85	-	-
Renforth Resources Inc., Warrants	3,000,000	28/06/2019	0.12	3	3
Seahawk Ventures Inc.*	156,250			50,000	62,898
Secova Metals Corp.	1,515,151			75,758	37,879
Secova Metals Corp., Warrants	1,333,333	12/01/2020	0.20	1	1
Signature Resources Ltd.	2,039,500			183,555	163,160
Signature Resources Ltd., Warrants	750,000	14/11/2019	0.15	1	1
Signature Resources Ltd., Warrants	1,600,000	22/12/2019	0.15	2	2
Stratabound Minerals Corp.	3,272,727			81,818	98,182
The Magpie Mines Inc.	3,771,428			850,000	21,874
Trigon Metals Inc., Warrants	166,666	01/06/2020	0.40	-	-
Wallbridge Mining Company Ltd.	2,243,500			333,003	358,960
Wallbridge Mining Company Ltd., Warrants	3,462,500	04/10/2019	0.12	2,770	138,500
Wallbridge Mining Company Ltd., Warrants	1,388,888	29/11/2019	0.15	-	13,889
Xmet Inc.	2,000,000			10,000	2
				4,610,853	3,245,276
Energy (0.38%)					
CanAlaska Uranium Ltd.	78,083			27,329	23,815
CanAlaska Uranium Ltd., Warrants	78,083	20/06/2020	0.51	-	-
Vanadian Energy Corp.	178,000			21,253	14,240
				48,582	38,055
TOTAL CANADIAN EQUITIES				8,968,251	7,243,235
Total cost and fair value of investments (71.40%)				8,968,251	7,243,235
Less: Transaction costs included in average cost (Note 6)				(459)	-
Total investments				8,967,792	7,243,235
Other Assets Less Liabilities (28.60%)				2,901,358	2,901,358
Net assets attributable to holders of redeemable shares				11,869,150	10,144,593

**These securities are subject to temporary trading restrictions.*

PORTFOLIO CONCENTRATION (CDN $)

	% of Net Assets Attributable to Holders of Redeemable Units	
Portfolio by Category	**December 31, 2018**	**December 31, 2017**
Precious Metals	39.03%	25.09%
Base Metals	31.99%	29.18%
Other Assets Less Liabilities	28.60%	41.21%
Energy	0.38%	4.52%
Total	100.00%	100.00%

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, 2018 ($)	December 31, 2017 ($)
Assets		
Current Assets		
Investments at fair value	3,769,930	6,431,069
Cash	994,405	1,951,667
Accrued dividend receivable	21,479	37,915
Refundable taxes receivable (Note 5)	931,695	920,994
Prepaid fees	16,293	15,923
Total Assets	5,733,802	9,357,568
Liabilities		
Current Liabilities		
Management fees payable	1,646	917
Other payables and accrued expenses	130,856	119,916
Payable to other corporate series	-	101,564
Total Liabilities	132,502	222,397
Net Assets Attributable to Holders of Redeemable Shares (Note 3)	5,601,300	9,135,171
Net Assets Attributable to Holders of Redeemable Shares per Series		
Series A-Regular	3,419,223	5,713,375
Series F	2,110,579	3,337,130
Series I	71,498	84,666
Net Assets Attributable to Holders of Redeemable Shares per Share		
Series A-Regular	11.97	14.34
Series F	11.67	13.81
Series I	14.30	16.93

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, 2018 ($)	December 31, 2017 ($)
Income		
Dividends	246,527	319,038
Interest for distribution purposes	5,719	2,024
Securities lending income (Note 7)	17,803	11,054
Distribution from investment trusts	-	19,064
Foreign exchange gain (loss) on cash	12,042	(42,287)
Net realized gain (loss) on sale of investments	(866,180)	620,209
Net change in unrealized appreciation (depreciation) on investments	(277,243)	(605,172)
Total Income (Loss)	(861,332)	323,930
Expenses (Note 4)		
Management fees	132,825	192,740
Foreign taxes withheld (Note 5)	3,319	376
Transaction costs (Note 6)	29,805	23,264
Interest charges	135	215
Operating fees	66,484	42,309
Audit fees	13,207	10,954
Custodian fees	8,263	6,784
Legal fees	18,476	13,236
Independent Review Committee fees	1,584	1,944
Unitholder reporting costs	5,996	2,727
Total Expenses	280,094	294,549
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(1,141,426)	29,381
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Series		
Series A-Regular	(735,674)	(32,890)
Series F	(392,584)	61,165
Series I	(13,168)	1,106
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share		
Series A-Regular	(2.21)	(0.07)
Series F	(2.08)	0.30
Series I	(2.63)	0.22

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 periods ended December 31

	2018 ($)	2017 ($)	2018 ($)	2017 ($)
	Series A-Regular		Series F	
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period	5,713,375	9,118,211	3,337,130	2,460,896
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(735,674)	(32,890)	(392,584)	61,165
Redeemable Share Transactions (Note 3)				
Amounts received from the issuance of shares	13,236	19,724	104,360	985,902
Amounts paid on redemption of shares	(1,571,714)	(3,391,670)	(938,327)	(170,833)
Net increase (decrease) from redemable share transactions	(1,558,478)	(3,371,946)	(833,967)	815,069
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	(2,294,152)	(3,404,836)	(1,226,551)	876,234
Net Assets Attributable to Holders of Redeemable Shares, End of Period	3,419,223	5,713,375	2,110,579	3,337,130

	2018 ($)	2017 ($)	2018 ($)	2017 ($)
	Series I		Total	
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period	84,666	83,560	9,135,171	11,662,667
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(13,168)	1,106	(1,141,426)	29,381
Redeemable Share Transactions (Note 3)				
Amounts received from the issuance of shares	-	-	117,596	1,005,626
Amounts paid on redemption of shares	-	-	(2,510,041)	(3,562,503)
Net increase (decrease)from redeemable share transactions	-	-	(2,392,445)	(2,556,877)
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	(13,168)	1,106	(3,533,871)	(2,527,496)
Net Assets Attributable to Holders of Redeemable Shares, End of Period	71,498	84,666	5,601,300	9,135,171

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 periods ended

	December 31, 2018 ($)	December 31, 2017 ($)
Cash Flows from Operating Activities		
Increase (Decrease) in net assets attributable to holders of redeemable shares from operations	(1,141,426)	29,381
Adjustments for:		
Foreign exchange loss (gain) on cash	(12,042)	42,287
Net realized loss (gain) on sale of investments	866,180	(620,209)
Net change in unrealized depreciation (appreciation) on investments	277,243	605,172
Purchases of investments	(11,102,287)	(5,529,453)
Proceeds from sale and maturity of investments	12,620,003	9,712,013
Accrued dividend receivable	16,436	21,748
Refundable taxes receivable	(10,701)	(101,564)
Prepaid fees	(370)	(707)
Payable to other corporate series	(101,564)	24,005
Management fees payable	729	(375)
Other payables and accrued expenses	10,940	49,141
Net Cash from Operating Activities	1,423,141	4,231,439
Cash Flows from Financing Activities		
Amounts received from the issuance of shares	117,596	1,005,626
Amounts paid on redemption of shares	(2,510,041)	(3,616,056)
Net Cash from Financing Activities	(2,392,445)	(2,610,430)
Increase (Decrease) in Cash during the Period	(969,304)	1,621,009
Foreign exchange gain (loss) on cash	12,042	(42,287)
Cash (Bank Overdraft) at Beginning of Period	1,951,667	372,945
Cash (Bank Overdraft) at end of Period	994,405	1,951,667
Supplementary disclosures on cash flow from operating activities:		
Dividends received	262,963	340,786
Foreign taxes paid	(3,319)	(376)
Interest received	5,719	2,024
Interest paid	(135)	(215)

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

SCHEDULE OF INVESTMENT PORTFOLIO (CDN $)

As at December 31, 2018

	Number of Shares	Average Cost* $	Fair Value $
CANADIAN EQUITIES (61.06%)			
Energy (15.39%)			
Enbridge Inc.	4,356	203,704	184,738
Gibson Energy Inc.	6,500	117,872	121,420
Inter Pipeline Ltd.	6,743	153,740	130,410
Parkland Fuel Corp.	4,024	147,546	142,208
Pembina Pipeline Corp.	3,740	163,213	151,507
TransCanada Corp.	2,698	140,705	131,528
		926,780	861,811
Financials (11.10%)			
Alaris Royalty Corp.	7,857	143,669	133,490
Bank of Nova Scotia	1,973	136,888	134,263
Royal Bank of Canada	2,025	198,616	189,216
The Toronto-Dominion Bank	2,426	184,005	164,628
		663,178	621,597
Industrials (10.32%)			
Aecon Group Inc.	13,585	259,855	239,232
AG Growth International Inc.	3,641	202,576	170,399
Exchange Income Corp.	5,955	196,796	168,288
		659,227	577,919
Utilities (10.24%)			
Canadian Utilities Ltd.	4,044	126,268	126,658
Capital Power Corp.	5,586	153,249	148,532
Innergex Renewable Energy Inc.	11,862	151,077	148,750
TransAlta Renewables Inc.	14,412	175,004	149,452
		605,598	573,392
Consumer Staples (3.39%)			
Clearwater Seafoods Inc.	33,071	187,862	190,158
		187,862	190,158
Consumer Discretionary (3.27%)			
Park Lawn Corp.	7,946	153,758	183,235
		153,758	183,235
Materials (2.63%)			
Nutrien Ltd.	2,301	164,950	147,540
		164,950	147,540
Healthcare (2.44%)			
Extendicare Inc.	21,527	179,704	136,697
		179,704	136,697
Communication Services (2.28%)			
Shaw Communications Inc.	5,166	129,829	127,652
		129,829	127,652
TOTAL CANADIAN EQUITIES		3,670,886	3,420,001
UNITED STATES EQUITIES (6.25%)			
Utilities (6.25%)			
Brookfield Infrastructure Partners LP	3,523	182,383	166,109
Brookfield Renewable Partners LP	5,200	204,060	183,820
		386,443	349,929
TOTAL UNITED STATES EQUITIES		386,443	349,929
Total cost and fair value of investments (67.31%)		4,057,329	3,769,930
Less: Transaction costs included in average cost (note 6)		(3,836)	-
Total investments		8,110,822	3,769,930
Other Assets Less Liabilities (32.69%)		1,831,370	1,831,370
Net assets attributable to holders of redeemable shares		9,942,192	5,601,300

See accompanying notes.

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

ANNUAL AUDITED FINANCIAL STATEMENTS

PORTFOLIO CONCENTRATION (CDN $)

	% of Net Assets Attributable to Holders of Redeemable Units	
Portfolio by Category	**December 31, 2018**	**December 31, 2017**
Other Assets Less Liabilities	32.69%	29.60%
Utilities	16.49%	11.95%
Energy	15.39%	19.49%
Financials	11.10%	7.43%
Industrials	10.32%	9.95%
Consumer Staples	3.39%	3.26%
Consumer Discretionary	3.27%	9.28%
Materials	2.63%	2.94%
Healthcare	2.44%	3.60%
Communication Services	2.28%	-
Information Technology	-	2.50%
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, 2018 and 2017

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 two 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, 27th Floor, 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	-
Flex Dividend and Income Growth™ Series Fund	-	19-May-09	13-Nov-09	28-Oct-08

On September 28, 2018, the Energy Series Fund was 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 April 1, 2019.

(b) Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements requires the 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. Significant estimates include the valuation of investments and derivatives, and significant judgments include the determination of functional currency, classification of redeemable units, classification and measurement of investments 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 is 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).

Classification and measurement of investments

The Manager has assessed the business models of the Funds and has determined that the Funds' portfolio of financial assets and financial liabilities is managed and performance is evaluated on a fair value basis in accordance with the Funds' risk management and investment strategies; therefore, classification and measurement of investments is FVTPL.

(c) Investments in Associates, Joint Ventures, Subsidiaries, and Structured Entities

Consolidated financial statements are required to be prepared where an entity has control over the entity or entities in which it invests, in accordance with IFRS 10, Consolidated Financial Statements ("IFRS 10"). As the Funds satisfy the criteria to meet the definition of an "investment entity" under IFRS 10, any investments in subsidiaries, other than those that provide services to the Funds, are accounted for and measured at FVTPL. The Funds have also designated any investments in associates, joint ventures, and structured entities, structured as mutual or exchange traded funds, at FVTPL.

(d) 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. The effects of exchange rate fluctuations on investments and foreign currency transactions are included in the "Foreign exchange gain (loss)" in the Statements of Comprehensive Income.

(e) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments

Classification and recognition of financial instruments

All financial assets and financial liabilities are recognized in the Statements of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. 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 a Fund commits to purchase or sell the asset.

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.

The Funds classify their financial assets and financial liabilities at initial recognition into the following categories, in accordance with IFRS 9, Financial Instruments ("IFRS 9").

In accordance with IFRS 9, financial instruments are classified into one of three categories based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Those categories are:

- Amortized cost - Assets held within a business model whose objective is to collect cash flows and where the contractual cash flows of the assets are solely payments of principal and interest ("SPPI criterion").
- Fair value through other comprehensive income ("FVOCI") - Financial assets such as debt instruments that meet the SPPI criterion and are held within a business model with objectives that include both collecting the associated contractual cash flows and selling financial assets. Gains and losses are reclassified to profit or loss upon derecognition.
- Fair value through profit or loss ("FVTPL") - A financial asset is measured at FVTPL unless it is measured at amortized cost or FVOCI. For all instruments classified as FVTPL, the gains and losses are recognized in profit or loss.

In addition, financial liabilities can be designated as FVTPL upon initial recognition using the fair value option when it results in more relevant information.

Measurement of financial instruments

All Funds have contractual obligations to distribute cash to the unitholders. As a result, each Fund's obligation for net assets attributable to holders of redeemable units represents a financial liability and is presented at the redemption amount.

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.

(g) Redeemable Participating Shares

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) 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 gross of withheld tax.

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 REITs 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.

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.

(j) Distributions to Shareholders

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

(k) 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
Flex Dividend and Income Growth™ Series Fund	A-Regular, F, I

During the years ended December 31, 2018 and 2017, the following shares were issued (including transfers from other series) and redeemed (including transfers to other series):

December 31, 2018	Outstanding beginning of year	Shares issued	Shares redeemed	Outstanding end of year
Explorer Series Fund				
Series A-Rollover	26,586,916	56,595,445	(61,525,325)	21,657,036
Series A-Regular	18,846	-	(577)	18,269
Series F	2,554,848	138,182	(855,547)	1,837,483
Flex Dividend and Income Growth ™ Series Fund				
Series A	398,436	1,043	(113,875)	285,604
Series F	241,576	7,754	(68,402)	180,928
Series I	5,000	-	-	5,000

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
Flex Dividend and Income Growth ™ Series Fund				
Series A	637,044	1,411	(240,019)	398,436
Series F	180,507	73,659	(12,590)	241,576
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
Flex Dividend and Income Growth™ Series Fund	2.0%	1.0%	Negotiated

The Funds are dependent on the Manager 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. Commissions paid on security transactions are shown as "Transaction costs" in the Statements of Comprehensive income.

The Manager has, at its discretion, the ability to absorb certain expenses associated with some of the Funds. No fees were absorbed during the years ended December 31, 2018 and 2017.

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 rates are determined for expenses attributable to a Fund's individual class/series, where 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, 2018, $37,625 (2017 – $47,342) 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. Capital losses are available to be carried forward indefinitely and applied against future capital gains. 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, 2018, the total soft dollars benefits received for the Funds were $17,389 (2017 – $26,695).

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 their 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, 2018 and 2017 is as follows:

December 31, 2018	Securities on loan	Collateral amount	Collateral as percentage of securities loaned
	$	$	%
Flex Dividend and Income Growth™ Series Fund	791,500	831,077	105%

December 31, 2017	Securities on loan	Collateral amount	Collateral as percentage of securities loaned
	$	$	%
Explorer Series Fund	9,805	10,296	105%
Flex Dividend and Income Growth™ Series Fund	1,710,600	1,796,133	105%

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

December 31, 2018	Gross securities lending income	Securities lending charge		Net securities lending income	Withholding taxes	Net income received
	$	$	%	$	$	$
Explorer Series Fund	18,258	6,390	35	11,868	1,492	10,376
Flex Dividend and Income Growth™ Series Fund	27,995	9,755	35	18,240	437	17,803

December 31, 2017	Gross securities lending income	Securities lending charge		Net securities lending income	Withholding taxes	Net income received
	$	$	%	$	$	$
Explorer Series Fund	6,367	2,211	35	4,156	222	3,934
Flex Dividend and Income Growth™ Series Fund	17,384	6,081	35	11,303	249	11,054

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	13.83
Marquest 2016-I Mining Super Flow Through LP - Québec Class	02/24/2017	Explorer Series Fund	A-Rollover	4,065,974	6,718,397	11.2
Marquest Mining Québec 2016-I Super Flow Through LP	08/18/2017	Explorer Series Fund	A-Rollover	3,709,831	6,587,058	110.99
Marquest Mining 2016 - I Super Flow Through LP	09/15/2017	Explorer Series Fund	A-Rollover	1,875,551	3,185,919	113.3
Marquest Mining Québec 2016-II Super Flow Through LP	09/15/2017	Explorer Series Fund	A-Rollover	3,430,186	5,826,713	121.9
Marquest 2016-II Mining Super Flow Through LP - National Class	11/10/2017	Explorer Series Fund	A-Rollover	6,488,924	11,308,685	10.09
Marquest 2016-II Mining Super Flow Through LP - Québec Class	11/10/2017	Explorer Series Fund	A-Rollover	6,362,304	11,088,016	9.91
Marquest Mining 2017 - I Super Flow Through LP- National Class	05/04/2018	Explorer Series Fund	A-Rollover	8,574,577	16,672,325	27.53
Marquest Mining 2017 - I Super Flow Through LP- Quebec Class	05/04/2018	Explorer Series Fund	A-Rollover	8,924,051	17,351,839	19.21
Marquest Mining 2017-I Super Flow-Through LP	11/16/2018	Explorer Series Fund	A-Rollover	1,935,882	4,459,529	101.28
Marquest Mining Québec 2017-I Super Flow-Through LP	11/16/2018	Explorer Series Fund	A-Rollover	7,862,306	18,111,739	126.14

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.

10. FINANCIAL INSTRUMENTS

(a) Fair Value

Financial instruments of the Funds include investment at fair. 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 below.

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 that 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; if no quoted close price is available, then the management will determine the point within the bid-ask spread most representative of the fair value.
IV. Securities that 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 securities 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.

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, 2018:

	Level 1	Level 2	Level 3	Total
December 31, 2018	$	$	$	$
Explorer Series Fund	6,220,751	871,108	151,376	7,243,235
Flex Dividend and Income Growth™ Series Fund	3,769,930	-	-	3,769,930

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:

	Level 1	Level 2	Level 3	Total
December 31, 2017	$	$	$	$
Explorer Series Fund	8,940,091	993,645	151,376	10,085,112
Flex Dividend and Income Growth™ Series Fund	6,044,425	386,644	-	6,431,069

During the year ended December 31, 2018, $261,274 (2017 – zero) was transferred between Level 1 and Level 2 for the Explorer Series Fund.

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, 2018 and 2017:

	Explorer Series Fund $
Total Level 3 value, December 31, 2016	21,874
Purchased	-
Transfers in	149,500
Sold	-
Net realized gain (loss) on sale of investments	-
Change in unrealized appreciation (depreciation) in value	(19,998)
Total Level 3 value, December 31, 2017	151,376
Purchased	-
Transfers in	-
Sold	-
Net realized gain (loss) on sale of investments	-
Change in unrealized appreciation (depreciation) in value	-
Total Level 3 value, December 31, 2018	151,376

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 holds halted equity investments classified as level 3.

As at December 31, 2018, the Explorer Series Fund has investments of $151,376 (2017 – $151,376) 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.

The valuation of Fieldex Exploration Inc. was based on the implied value of pending merger and spin-off transactions. Subsequent to year-end, Fieldex Exploration Inc. announced that the transactions would no longer occur, as a result, the investment has been written down to a value of $35,000.

(b) Risk Management and Disclosures

The Funds' investment activities expose them to a variety of financial risks. The Schedule of Investment Portfolios presents the securities held by the Funds as at December 31, 2018, 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.

The table below indicates the foreign currencies to which the Funds have significant exposure as at December 31, 2018. 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.

December 31, 2018	Currency	Fair value $	% of Net assets attributable to holders of redeemable units %	Potential impact on net assets $
Explorer Series Fund	United States dollars	37	-	2
Flex Dividend and Income Growth™ Series Fund	United States dollars	378,163	6.8	18,908

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

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.

10. FINANCIAL INSTRUMENTS (continued)

(b) Risk Management and Disclosures (continued)

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, 2018 and 2017, 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, 2018	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	7,243,235	71.4	724,324
Flex Dividend and Income Growth™ Series Fund	3,769,930	67.3	376,993

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
Flex Dividend and Income Growth™ Series Fund	6,431,069	70.4	643,107

(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 shareholder's 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, 2018 and 2017 is shown in Fund's Schedule of Investment Portfolio.

11. TRANSITION TO IFRS 9

Effective January 1, 2018, the Funds adopted IFRS 9. It addresses the classification and measurement of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39, Financial Instruments: Recognition and measurement ("IAS 39"). The new standard requires assets to be carried at amortized cost, fair value with changes in fair value recognized in profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgement.

Upon transition to IFRS 9 from IAS 39, the Funds' financial assets and certain financial liabilities were classified as FVTPL. This financial instrument categorization of financial assets and financial liabilities under IFRS 9 is different than IAS 39. However, there were no significant changes to the accounting for the financial assets and liabilities of the Funds.

All financial assets that had previously been designated as FVTPL are classified as FVTPL upon adoption to the new standard. Derivative assets and derivative liabilities that were previously considered as held-for-trading financial instruments and were classified as FVTPL continue to be FVTPL. Financial assets that were previously classified as loans and receivable under IAS 39 are now classified as amortized cost.. The classification of other liabilities under the new standard remains generally unchanged.

There were no changes in the measurement values for any of the financial assets and financial liabilities upon transition to IFRS 9.

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