



MARQUEST MUTUAL FUNDS, INC.
EXPLORER SERIES FUND

ANNUAL MANAGEMENT
REPORT OF FUND PERFORMANCE
Year ended December 31, 2019

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | For the Year Ended December 31, 2019

A NOTE ON FORWARD-LOOKING STATEMENTS

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

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Marquest Mutual Funds Inc. Explorer Series Fund (the “Fund”). You can get a copy of the annual financial statements at your request, and at no cost, from Marquest Asset Management Inc. (the “Manager”) by calling 1-877-777-1541, by writing to us at 27th Floor, 161 Bay Street, Toronto, Ontario, M5J 2S1 or by visiting our website at www.marquest.ca or SEDAR at www.sedar.com.

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

Management Discussion of Fund Performance

Investment Objectives and Strategies

Investment Objectives

To achieve long-term capital growth by investing in a diversified portfolio of primarily equity securities of attractive Canadian mining companies, as well as diversified international mining companies which include operations in Canada. The Fund was initially established to enable flow-through limited partnerships formed or acquired by Marquest Asset Management Inc. to complete tax-deferred rollover transactions.

Investment Strategies

The Fund, may employ some or all of the following strategies:

- analyze financial information to identify under-valued companies with high potential.
- review indicators to identify business cycle and commodity sector trends.
- apply qualitative analysis and management interviews to select investments with the best risk adjusted potential.
- overweight exposure to industry sectors that demonstrate strong potential without exposing the Fund to unreasonable risk.

Risks

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

Results of Operations

As at December 31, 2019, the Fund’s total NAV was \$7,035,817, a decrease of 30.64% since the prior year end (December 2018: \$10,144,593). The change is primarily due to net realized loss on sale of investments of \$367,611, management fees of \$182,487, operating fees \$204,292 and net redemptions of \$2,233,057.

During the year, sales and redemptions were as follows: Series A Rollover \$14,317,481 and \$15,860,978 respectively (December 2018: \$27,296,820 and \$29,763,722); Series A Regular \$0 and \$2,108 respectively (December 2018: \$0 and \$305) and Series F \$1,283,380 and \$1,970,832 respectively (December 2018: \$77,959 and \$483,762).

Sales and redemptions of Series A rollover shares are attributable to the rollover of Marquest Mining 2018-I Super Flow-Through Limited Partnership, Marquest Mining Québec 2018-I Super Flow-Through Limited Partnership, Marquest Mining 2018 - II Super Flow Through LP and Marquest Mining Québec 2018 - II Super Flow Through LP. For more details, please see the “Related Party Transactions” section of the MRFP.

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Results of Operations (continued)

The Marquest Explorer Series Fund A/Rollover Series declined 6.7% for the year ended December 31, 2019. The net returns for the other series of this Fund are similar to those of the A/Rollover Series, except for differences attributable to expense structures. This is compared to the S&P/TSX Composite Index, which gained 19.1%, the S&P/TSX Global Mining Index gained 39.9%, the S&P/TSX Mining Index up 14.1% and the S&P/TSX Venture Composite Index also gained 3.7%. The Fund's weak results were due to the weight of small capitalization securities in the portfolio. In addition, there was a high level of roll over activity in the Fund relative to the level of assets and as a result the Fund held a very high level of short term securities over the course of the past year.

Recent Developments

Global economic growth is showing signs of reaccelerating in the coming months which is expected to improve the demand outlook for the metal commodities. China's economy in particular appears to be rebounding as aggressive monetary easing coupled together with a stimulative fiscal policy has been underway for several months. The signing of the first phase of the US/China trade resolution will also improve growth in both the US and Chinese economies. While the Coronavirus is expected to have a significant impact on global growth in the near term and on the Chinese economy in particular we expect the policy response to be an even more aggressive fiscal and monetary expansion. This will likely cause an even greater rebound in economic activity once the Coronavirus has been contained.

The Portfolio Manager believes that the current global economic environment provides significant opportunities for attractive investments in the Canadian mining industry. The fundamental backdrop to the metal commodities is positive. Demand for metal commodities is firm, the supply/demand picture is favourable and the mining industry has reduced capital expenditures over the past few years further limiting capacity to expand production in the near term to meet demand.

Related Party Transactions

The Manager of the Fund is responsible for managing all of the Fund's activities, including investment advisory and portfolio management services under a Management Agreement. The Management Agreement does not have a fixed termination date. The Management Agreement may be terminated on 60 days' notice by the Manager if the Fund is not in breach or default of its obligations under the Management Agreement or on 30 days' notice if the Fund is in breach or default of its obligations. The Manager may only be removed by the Fund if a certain specified events of default have occurred or by an extraordinary resolution of unitholders. Management fees are paid by the Fund as set out under "Management Fees" below.

During the year, \$182,487 in management fees (including HST) was paid to the Manager.

The table below summarizes the rollover transactions into the Fund for the year ended December 31, 2019.

Terminating fund	Merger Date	Continuing fund	Series	Net Assets Acquired	Shares Issued	Exchange ratio
Marquest Mining 2018-I Super Flow Through LP	4/12/2019	Explorer Series Fund	A-Rollover	\$1,009,070	2,319,702	125.7973
Marquest Mining Québec 2018-I Super Flow Through LP	4/12/2019	Explorer Series Fund	A-Rollover	\$4,454,980	10,241,334	137.4860
Marquest Mining 2018-II Super Flow Through LP – Class A	11/01/2019	Explorer Series Fund	A-Rollover	\$1,617,532	4,057,016	188.6984
Marquest Mining 2018-II Super Flow Through LP – Class F	11/01/2019	Explorer Series Fund	F	\$114,570	18,111,739	203.3991
Marquest Mining Québec 2018-II Super Flow Through LP – Class A	11/01/2019	Explorer Series Fund	A-Rollover	\$7,235,900	18,148,733	129.8564
Marquest Mining Québec 2018-II Super Flow Through LP – Class F	11/01/2019	Explorer Series Fund	F	\$1,156,275	2,935,453	139.7835

During the year the Explorer Series Fund purchased securities pursuant to distributions where Marquest Capital Markets, a division of Marquest Asset Management Inc. acted as a finder/agent. Marquest Capital Markets received customary advisory fees of \$18,229 in respect of such distributions as a result of purchases made by the fund and other arm's length third parties. The purchases were conducted in accordance with standing instructions provided by the Fund's Independent Review Committee.

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Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. The information is derived from the Fund's audited annual financial statements.

Marquest Mutual Funds Inc. - Explorer Series Fund (Series A-Rollover)*					
Net Assets per Share (\$) ⁽¹⁾					
	2019	2018	2017	2016	2015
Net assets, beginning of the year ⁽²⁾	0.43	0.59	0.49	0.31	0.59
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.03)	(0.03)	(0.03)	(0.03)	(0.04)
Realized gains (losses) for the year	(0.02)	(0.10)	0.08	(0.13)	(0.53)
Unrealized gains (losses) for the year	0.01	(0.02)	0.04	0.27	0.28
Total increase (decrease) from operations ⁽²⁾	(0.04)	(0.15)	0.09	0.11	(0.29)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	-	-	-	-	-
Net assets at December 31st of year shown	0.40	0.43	0.59	0.49	0.31

Notes:

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

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

⁽³⁾ Distributions were paid in cash or re-invested in additional units of the Fund, or both.

*Series A-Rollover shares were first issued on January 15, 2005.

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Financial Highlights (continued)

Marquest Mutual Funds Inc. - Explorer Series Fund (Series A-Regular)*					
Net Assets per Share (\$) ⁽¹⁾					
	2019	2018	2017	2016	2015
Net assets, beginning of the year ⁽²⁾	0.47	0.64	0.53	0.35	0.63
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.03)	(0.03)	(0.03)	(0.04)	(0.05)
Realized gains (losses) for the year	(0.01)	(0.12)	0.11	(0.09)	(0.56)
Unrealized gains (losses) for the year	0.02	(0.03)	0.02	0.34	0.32
Total increase (decrease) from operations ⁽²⁾	(0.02)	(0.18)	0.10	0.21	(0.29)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	-	-	-	-	-
Net assets at December 31st of year shown	0.43	0.47	0.64	0.53	0.35

Notes:

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

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

⁽³⁾ Distributions were paid in cash or re-invested in additional units of the Fund, or both.

*Series A-Regular shares were first issued on November 27, 2007

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Financial Highlights (continued)

Marquest Mutual Funds Inc. - Explorer Series Fund (Series F)*					
Net Assets per Share (\$) ⁽¹⁾					
	2019	2018	2017	2016	2015
Net assets, beginning of the year ⁽²⁾	0.43	0.58	0.47	0.31	0.55
Increase (decrease) from operations:					
Total revenue	-	-	-	-	-
Total expenses (excluding distributions)	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)
Realized gains (losses) for the year	(0.08)	(0.10)	0.09	(0.05)	(0.57)
Unrealized gains (losses) for the year	(0.03)	(0.03)	0.07	0.25	0.35
Total increase (decrease) from operations ⁽²⁾	(0.13)	(0.15)	0.14	0.18	(0.26)
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	-	-	-	-	-
Net assets at December 31st of year shown	0.40	0.43	0.58	0.47	0.31

Notes:

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

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

⁽³⁾ Distributions were paid in cash or re-invested in additional units of the Fund, or both.

*Series F units were first issued on November 27, 2007.

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Financial Highlights (continued)

Ratios and Supplemental Data					
Series A-Rollover*	2019	2018	2017	2016	2015
Total net asset value (000's) ⁽¹⁾	\$ 6,958	\$ 9,353	\$ 15,656	\$ 9,837	\$ 5,400
Number of shares outstanding ⁽¹⁾	17,274,341	21,657,036	26,586,916	20,222,379	17,390,822
Management expense ratio ⁽²⁾	5.94%	4.14%	3.74%	4.40%	6.26%
Management expense ratio before waivers or absorption ⁽⁵⁾	5.94%	4.14%	3.74%	4.40%	6.26%
Trading expense ratio ⁽³⁾	1.22%	1.06%	1.58%	2.86%	1.32%
Portfolio turnover rate ⁽⁴⁾	237.54%	243.96%	271.56%	393.41%	282.70%
Net asset value per share ⁽¹⁾	\$ 0.40	\$ 0.43	\$ 0.59	\$ 0.49	\$0.31
Series A-Regular**	2019	2018	2017	2016	2015
Total net asset value (000's) ⁽¹⁾	\$ 6	\$ 8	\$ 12	\$ 8	\$ 6
Number of shares outstanding ⁽¹⁾	14,098	18,269	18,846	15,586	18,153
Management expense ratio ⁽²⁾	5.97%	4.22%	3.78%	5.07%	6.02%
Management expense ratio before waivers or absorption ⁽⁵⁾	5.97%	4.22%	3.78%	5.07%	6.02%
Trading expense ratio ⁽³⁾	1.22%	1.06%	1.58%	2.86%	1.32%
Portfolio turnover rate ⁽⁴⁾	237.54%	243.96%	271.56%	393.41%	282.70%
Net asset value per share ⁽¹⁾	\$ 0.43	\$ 0.47	\$ 0.64	\$ 0.53	\$0.35
Series F***	2019	2018	2017	2016	2015
Total net asset value (000's) ⁽¹⁾	\$ 72	\$ 783	\$ 1,485	\$ 8	\$ 4
Number of shares outstanding ⁽¹⁾	180,810	1,837,483	2,554,848	16,099	14,297
Management expense ratio ⁽²⁾	4.32%	3.07%	2.89%	3.11%	6.32%
Management expense ratio before waivers or absorption ⁽⁵⁾	4.32%	3.07%	2.89%	3.11%	6.32%
Trading expense ratio ⁽³⁾	1.22%	1.06%	1.58%	2.86%	1.32%
Portfolio turnover rate ⁽⁴⁾	237.54%	243.96%	271.56%	393.41%	282.70%
Net asset value per share ⁽¹⁾	\$ 0.40	\$ 0.43	\$ 0.58	\$ 0.47	\$ 0.31

Notes:

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

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

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

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

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

*Series A-Rollover units were first issued on January 15, 2005.

**Series A-Regular units were first issued on November 27, 2007.

***Series F units were first issued on November 27, 2007.

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Management and Performance Fees

The Management fees for each applicable series are calculated daily and are based on the Fund's ending total NAV per series; cumulative daily totals are then paid on a monthly basis. The Manager uses these management fees to pay sales and trailing commissions to registered dealers on the distribution of the Fund shares, as well as for the general investment management expenses.

	Maximum Annual Management Fee Rate (%)	As a percentage of Management fees	
		Sales & Trailer Commissions (%)	Investment Advisory and Portfolio Management Services (%)
Series A /Rollover Shares	2.00%	19.91%	80.09%
Series A/Regular Shares	2.00%	22.08%	77.92%
Series F Shares	1.00%	0.00%	100.00%

There are no performance fees or incentive fees in the case of the Fund.

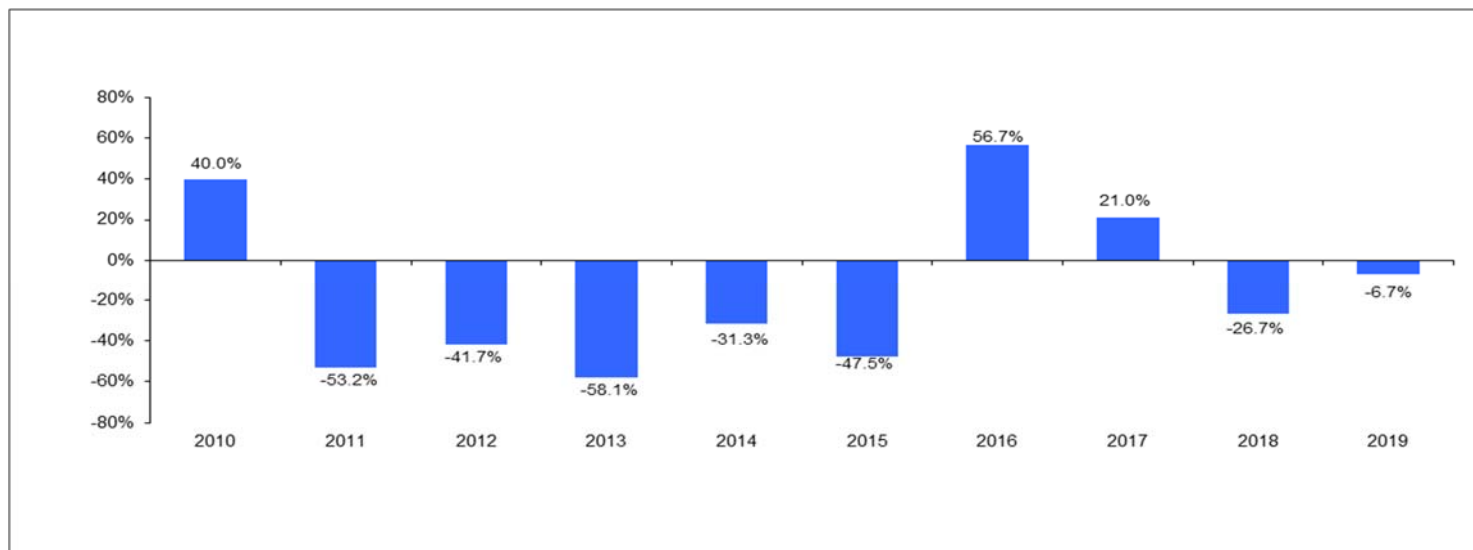
Past Performance

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future. Performance differences between series of units are mainly attributable to management fees charged to each series.

Year-by-Year Returns

The following bar charts show the Fund's annual Series A Rollover, Series A Regular and Series F shares performance for each of the periods shown, and illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Series A Rollover

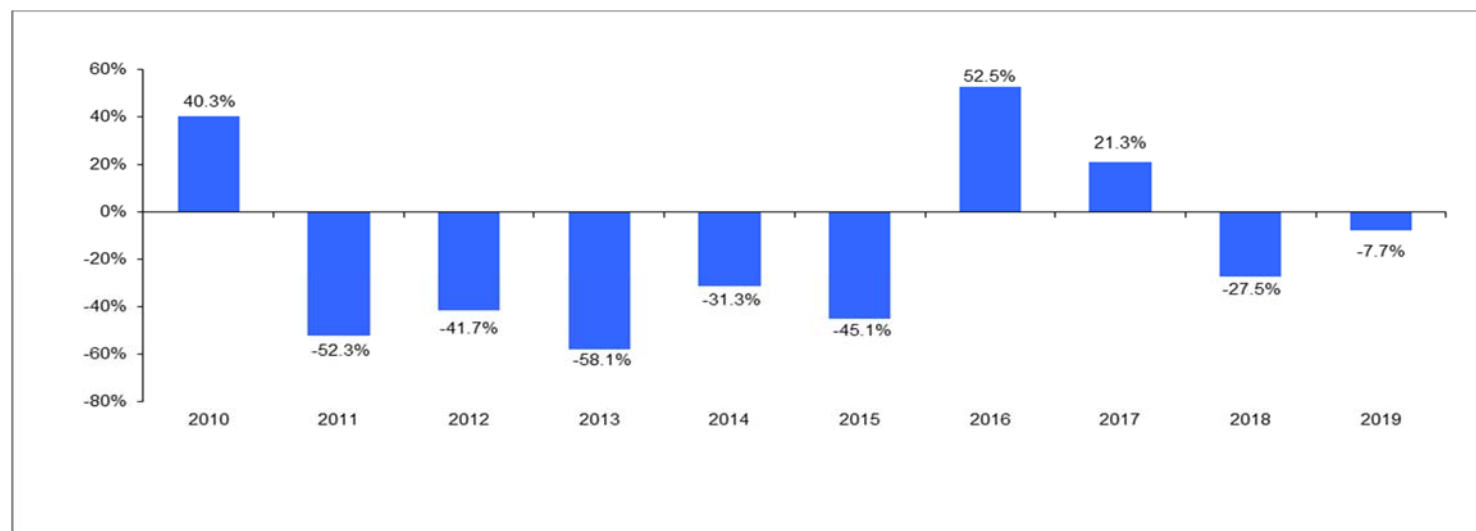


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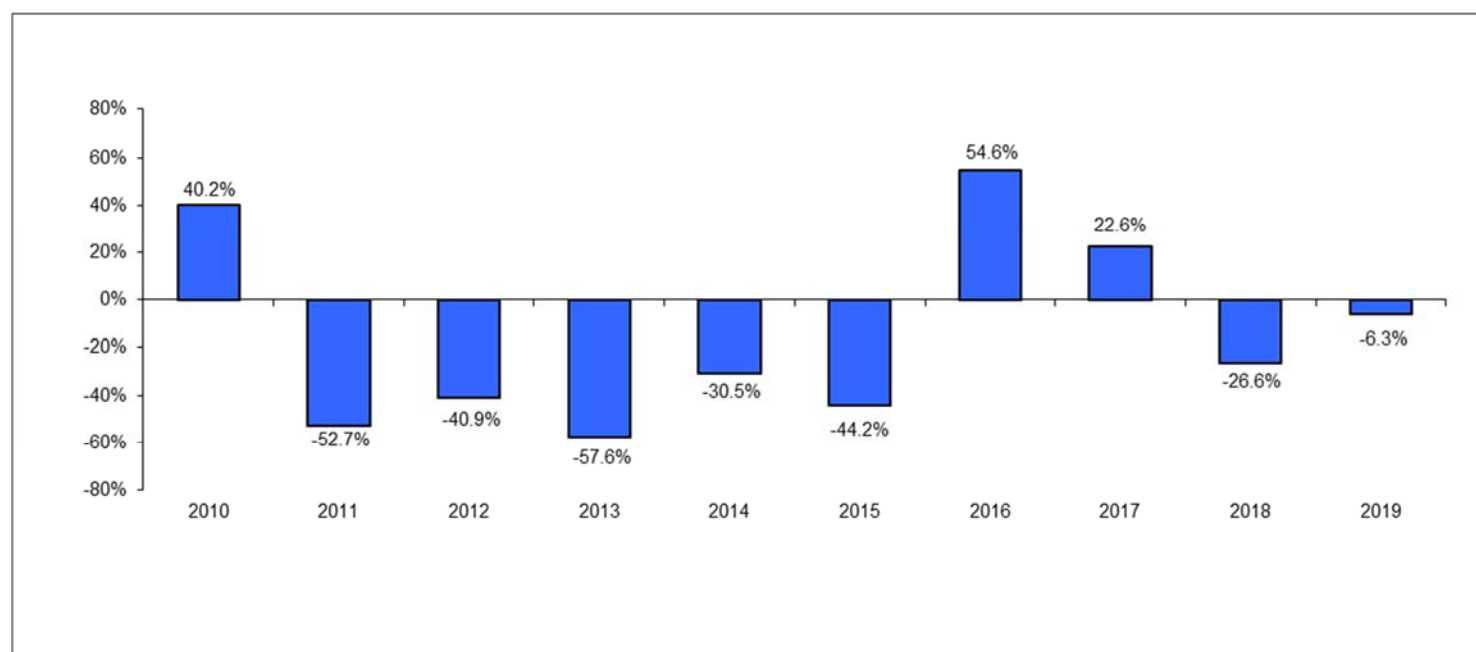
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Past Performance (continued)

Series A Regular



Series F



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Annual Compound Returns

The table below compares the annual compounded return of the Series A Rollover, Series A Regular and Series F shares of the Fund against the S&P/TSX Capped Materials Index. The S&P/TSX Capped Materials Index is a modified cap-weighted index, whose equity weights are capped at 25%. This index's constituents are derived from a subset stock pool of S&P/TSX Composite Index stocks.

As the index is made up of a group of securities from various asset classes and market capitalizations, they do not share the same holdings or the same weighted proportions as the Fund and compounded total returns between the two may differ. For greater in-depth discussion regarding the Fund's asset class holdings and performance over the year please see the "Results of Operations – Investment Portfolio" section of the MRFP.

	1	3	5	10
	Year	Years	Years	Years
	%	%	%	%
Series A-Rollover	-6.7%	-6.1%	-7.4%	-22.8%
S&P/TSX Capped Materials Index	23.8%	6.5%	6.1%	-0.6%
Series A-Regular	-7.7%	-6.7%	-7.4%	-22.7%
S&P/TSX Capped Materials Index	23.8%	6.5%	6.1%	-0.6%
Series F	-6.3%	-5.5%	-6.2%	-21.9%
S&P/TSX Capped Materials Index	23.8%	6.5%	6.1%	-0.6%

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Summary of Investment portfolio as at December 31, 2019

Total Net Asset Value: \$ 7,035,817

Portfolio Allocation

	% of Fund's Net Asset Value
Precious Metals	56.09%
Base Metals	16.29%
Cash	13.38%
Net Other Assets (Liabilities)	13.21%
Energy	1.03%
	<hr/> 100.00%

Top 25 Holdings

	% of Fund's Net Asset Value
1 Cash	13.38%
2 Galway Metals Inc.	11.92%
3 Seahawk Ventures Inc.	6.07%
4 QMX Gold Corp.	4.17%
5 Melkior Resources Inc.	3.99%
6 Zonte Metals Inc.	3.96%
7 Aurelius Minerals Inc.	3.81%
8 Sphinx Resources Ltd.	3.71%
9 Galleon Gold Corp.	2.36%
10 Murchison Minerals Ltd.	2.26%
11 Lomiko Metals Inc.	1.95%
12 Pancontinental Resources Corp.	1.92%
13 Dios Exploration Inc.	1.89%
14 Purepoint Uranium Group Inc.	1.52%
15 Imperial Mining Group Ltd.	1.49%
16 Signature Resources Ltd.	1.45%
17 Juggernaut Exploration Ltd.	1.43%
18 Orford Mining Corp.	1.41%
19 Stelmine Canada Ltd.	1.35%
20 Saville Resources Inc.	1.29%
21 Emgold Mining Corp.	1.24%
22 Goliath Resources Ltd.	1.17%
23 Prosper Gold Corp.	1.07%
24 Vertical Exploration Inc.	1.03%
25 Golden Predator Mining Corp.	0.88%
	<hr/> 76.72%

The investments and percentages shown may change from time to time due to the ongoing portfolio transactions of the Fund. The weightings of the positions are calculated based on the total net asset value of the Fund as at December 31, 2019. The Fund does not hold short positions. To obtain a copy of the most recent annual report, semi-annual report, quarterly report or simplified prospectus of the Fund, please contact a member of our client services team or visit our website at www.marquest.ca or SEDAR at www.sedar.com.

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