



**MARQUEST MUTUAL  
FUNDS INC.**

UNAUDITED INTERIM FINANCIAL  
STATEMENTS

Period ended June 30, 2021

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# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

As at

	June 30, 2021 (\$)	December 31, 2020 (\$)
<b>Assets</b>		
<b>Current Assets</b>		
Investments at fair value	12,170,230	9,704,997
Cash	2,712,776	1,395,614
Receivable for investments sold	17,240	-
Refundable taxes receivable (Note 5)	980,732	980,732
Prepaid fees	-	16,376
<b>Total Assets</b>	<b>15,880,978</b>	<b>12,097,719</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Management fees payable	912	1,377
Other payables and accrued expenses	72,801	80,182
Payable on redemption of redeemable shares	-	62,947
<b>Total Liabilities</b>	<b>73,713</b>	<b>144,506</b>
<b>Net Assets Attributable to Holders of Redeemable Shares (Note 3)</b>	<b>15,807,265</b>	<b>11,953,213</b>
<b>Net Assets Attributable to Holders of Redeemable Shares per Series</b>		
Series A-Rollover	14,119,986	10,990,868
Series A-Regular	27,639	14,302
Series F	1,659,640	948,043
<b>Net Assets Attributable to Holders of Redeemable Shares per Share (Note 3)</b>		
Series A-Rollover	1.24	0.89
Series A-Regular	1.41	0.97
Series F	1.26	0.90

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

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

For the periods ended June 30,

	2021 (\$)	2020 (\$)
<b>Income</b>		
Interest for distribution purposes	556	2,153
Securities lending income (Note 7)	-	1
Foreign exchange gain (loss) on cash	-	2
Net realized gain (loss) on sale of investments	5,826,988	(342,137)
Net change in unrealized appreciation (depreciation) on investments	(865,815)	3,323,215
<b>Total Income</b>	<b>4,961,729</b>	<b>2,983,234</b>
<b>Expenses (Note 4)</b>		
Management fees	160,925	71,940
Transaction costs (Note 6)	70,862	35,146
Interest charges	3	17
Operating fees	96,680	96,576
Audit fees	24,272	31,912
Custodian fees	9,459	15,798
Legal fees	24,669	9,224
Independent Review Committee fees	6,741	3,474
Unitholder reporting costs	3,939	1,889
<b>Total Expenses</b>	<b>397,550</b>	<b>265,976</b>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations</b>	<b>4,564,179</b>	<b>2,717,258</b>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Series</b>		
Series A-Rollover	4,247,148	2,641,916
Series A-Regular	7,051	740
Series F	309,980	74,602
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share</b>		
Series A-Rollover	0.37	0.17
Series A-Regular	0.28	0.06
Series F	0.30	0.37

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

For the periods ended June 30,

	<u>2021 (\$)</u>	<u>2020 (\$)</u>	<u>2021 (\$)</u>	<u>2020 (\$)</u>
	Series A-Rollover		Series A-Regular	
<b>Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period</b>	10,990,868	6,957,517	14,302	6,050
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations</b>	4,247,148	2,641,916	7,051	740
<b>Redeemable Share Transactions (Note 3)</b>				
Issuance of shares	8,881,183	5,045,289	42,980	-
Redemption of shares	(9,999,213)	(6,427,088)	(36,694)	(4,984)
Net increase (decrease) from redeemable share transactions	(1,118,030)	(1,381,799)	6,286	(4,984)
<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares</b>	3,129,118	1,260,117	13,337	(4,244)
<b>Net Assets Attributable to Holders of Redeemable Shares, End of Period</b>	14,119,986	8,217,634	27,639	1,806
	<u>2021 (\$)</u>	<u>2020 (\$)</u>	<u>2021 (\$)</u>	<u>2020 (\$)</u>
	Series F		Total	
<b>Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period</b>	948,043	72,250	11,953,213	7,035,817
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations</b>	309,980	74,602	4,564,179	2,717,258
<b>Redeemable Share Transactions (Note 3)</b>				
Issuance of shares	2,198,281	656,636	11,122,444	5,701,925
Redemption of shares	(1,796,664)	(626,142)	(11,832,571)	(7,058,214)
Net increase (decrease) from redeemable share transactions	401,617	30,494	(710,127)	(1,356,289)
<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares</b>	711,597	105,096	3,854,052	1,360,969
<b>Net Assets Attributable to Holders of Redeemable Shares, End of Period</b>	1,659,640	177,346	15,807,265	8,396,786

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

For the periods ended June 30,

	2021 (\$)	2020 (\$)
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable shares from operations	4,564,179	2,717,258
Adjustments for:		
Foreign exchange loss (gain) on cash	-	(2)
Net realized loss (gain) on sale of investments	(5,826,988)	342,137
Net change in unrealized depreciation (appreciation) on investments	865,815	(3,323,215)
Purchases of investments	(1,289,997)	(604,455)
Proceeds from sale and maturity of investments	10,592,108	4,650,939
Refundable taxes receivable	-	(87,244)
Prepaid fees	16,376	8,314
Management fees payable	(465)	131
Other payables and accrued expenses	(7,381)	(47,208)
<b>Net Cash from Operating Activities</b>	<b>8,913,647</b>	<b>3,656,655</b>
<b>Cash Flows used in Financing Activities</b>		
Issuance of shares*	4,299,033	3,107,986
Redemption of shares	(11,895,518)	(7,062,113)
<b>Net Cash used in Financing Activities</b>	<b>(7,596,485)</b>	<b>(3,954,127)</b>
<b>Increase (Decrease) in Cash during the Period</b>	<b>1,317,162</b>	<b>(297,472)</b>
Foreign exchange gain (loss) on cash	-	2
<b>Cash at Beginning of Period</b>	<b>1,395,614</b>	<b>941,428</b>
<b>Cash (Bank Overdraft) at End of Period</b>	<b>2,712,776</b>	<b>643,958</b>
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Interest received	556	2,153
Interest paid	(3)	(17)

\*Excludes shares issued in kind of 2021: \$6,823,411 (2020: \$2,593,939).

The accompanying notes form an integral part of the financial statements

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

As at June 30 2021

	Number of Shares, Units or Warrants	Expiry Date	Exercise Price \$	Average Cost \$	Fair Value \$
<b>CANADIAN EQUITIES (76.99%)</b>					
<b>Precious Metals (51.00%)</b>					
American Creek Resources Ltd.	1,555,556			186,667	334,445
Avidian Gold Corp.	1,325,000			318,000	225,250
Avidian Gold Corp., Warrants	3,100,000	20/12/2021	0.15	279,000	78,616
Beauce Gold Fields Inc.	2,187,500			541,406	448,438
Beauce Gold Fields Inc., Warrants	1,093,750	25/11/2022	0.21	41,016	32,987
Black Tusk Resources Inc.	5,166,667			231,104	180,833
Black Tusk Resources Inc., Warrants	441,177	09/07/2021	0.25	-	-
Black Tusk Resources Inc., Warrants	555,556	20/09/2021	0.20	-	-
Black Tusk Resources Inc., Warrants	1,875,000	11/09/2023	0.10	2	1,706
Braveheart Resources Inc.	1,637,147			139,158	163,715
Canada Silver Cobalt Works Inc.	571,079			214,155	228,432
Canada Silver Cobalt Works Inc., Warrants	333,334	15/06/2022	0.70	-	3,445
Canada Silver Cobalt Works Inc., Warrants	102,206	25/11/2022	0.80	-	1,289
Cassiar Gold Corp.	142,857			60,000	68,571
Cassiar Gold Corp., Warrants	71,428	30/10/2022	0.90	-	1,082
Defense Metals Corp., Warrants	1,700,000	11/06/2022	0.35	2	25,857
Defense Metals Corp., Warrants	375,000	12/06/2022	0.30	-	8,629
Emgold Mining Corp.	3,996,028			335,600	239,762
Emgold Mining Corp., Warrants	1,500,000	18/09/2022	0.16	2	780
Engold Mines Ltd.	5,065,241			252,465	189,947
Engold Mines Ltd., Warrants	2,000,000	14/08/2022	0.10	2	520
Excellon Resources Inc., Warrants	50,000	26/08/2021	1.40	5,003	1,250
Galleon Gold Corp.	4,363,636			523,636	469,091
Galleon Gold Corp., Warrants	3,181,818	14/11/2022	0.08	143,182	98,000
Goldseek Resources Inc.	1,631,040			293,587	277,277
Goldseek Resources Inc., Warrants	375,000	11/06/2022	0.50	-	146
Goldseek Resources Inc., Warrants	375,000	29/06/2022	0.50	-	170
Goldseek Resources Inc., Warrants	270,270	12/11/2022	0.60	-	176
Goldstar Minerals Inc.	1,133,500			160,309	153,023
Group Ten Metals Inc., Warrants	441,176	21/11/2021	0.25	30,882	44,894
Imperial Mining Group Ltd.	649,642			61,868	97,446
Laurion Mineral Exploration Inc.	1,729,834			259,475	847,619
Melkior Resources Inc.	173,913			70,435	69,565
Metallis Resources Inc., Warrants	222,222	16/10/2023	0.68	-	11,902
Metals Creek Resources Corp.	322,711			54,861	64,542
Metals Creek Resources Corp., Warrants	916,667	14/07/2022	0.10	64,167	72,233
New Age Metals Inc., Warrants	458,333	04/09/2021	0.12	-	7,480
Niobay Metals Inc., Warrants	454,546	20/12/2021	0.55	50,001	57,200
Northern Shield Resources Inc.	1,913,834			114,830	95,692
Nubian Resources Ltd., Warrants	200,000	24/07/2021	0.40	-	377
Opus One Gold Corp.	5,432,000			425,540	217,280
Pershimex Resources Corp.	7,311,143			391,517	383,835
Renforth Resources Inc.	4,348,485			332,371	369,621
Renforth Resources Inc., Warrants	3,181,818	30/06/2022	0.08	63,636	59,054
Renforth Resources Inc., Warrants	6,666,667	30/12/2021	0.10	7	34,233
Sage Gold Inc.	2,272,727			-	-
Secova Metals Corp.	4,500,000			-	-
Sokoman Minerals Corp.	1,043,478			485,217	740,869
Sphinx Resources Ltd.	2,252,769			76,485	39,423
Starr Peak Exploration Ltd., Warrants	100,000	02/07/2022	2.00	128,000	115,968
Starr Peak Mining Ltd.	301,000			987,280	1,026,410
Starr Peak Mining, Warrants	75,000	05/12/2022	2.50	58,500	66,870
Trifecta Gold Ltd.	1			-	-
Vanadiumcorp Resource Inc.	1,654,460			72,058	148,901
Ximen Mining Corp.	416,667			122,917	100,000
Ximen Mining Corp., Warrants	416,667	31/07/2022	0.75	-	325
Zonte Metals Inc.	641,036			145,517	157,054
				<u>7,719,860</u>	<u>8,062,230</u>
<b>Base Metals (25.26%)</b>					
Affinity Metals Corp.	667,500			90,112	106,800
Affinity Metals Corp., Warrants	777,778	11/02/2022	0.65	1	-
Appia Energy Corp.	150,000			105,000	120,000
Appia Energy Corp., Warrants	125,000	28/04/2022	0.50	25,000	37,370
Argex Titanium Inc.	10,000,000			-	-
Dore Copper Mining Corp.	654,285			521,313	588,857

See accompanying notes.

# MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

As at June 30 2021

	Number of Shares, Units or Warrants	Expiry Date	Exercise Price \$	Average Cost \$	Fair Value \$
<b>CANADIAN EQUITIES (CONT'D) (76.99%)</b>					
<b>Base Metals (Cont.) (25.26%)</b>					
Murchison Minerals Ltd.	1,971,746			138,949	138,022
Patriot Battery Metals Inc., Warrants	250,000	27/12/2021	1.00	-	-
PJX Resources Inc.	683,334			95,667	143,500
Purepoint Uranium Group Inc., Warrants	6,153,846	18/12/2021	0.08	6	218,585
QC Copper and Gold Inc.	726,224			87,147	134,351
QC Copper and Gold Inc., Warrants	1,428,572	20/12/2021	0.10	28,571	92,571
Saville Resources Inc.	2,015,000			100,750	100,750
Seahawk Gold Corp.	1,397,750			382,635	1,243,998
St-Georges Eco-Mining Corp.	1,712,000			422,650	616,320
Stria Lithium Inc.	3,000,000			22,500	90,000
The Magpie Mines Inc.	3,771,428			850,000	-
Typhoon Exploration Inc.	2,853,846			175,012	128,423
Vision Lithium Inc.	1,722,000			51,660	232,470
Xmet Inc.	2,000,000			10,000	2
				<u>3,106,973</u>	<u>3,992,019</u>
<b>Energy (0.73%)</b>					
CanAlaska Uranium Ltd., Warrants	78,125	18/06/2024	0.60	-	5,667
CanAlaska Uranium Ltd., Warrants	526,316	30/12/2021	0.40	-	54,147
CanAlaska Uranium Ltd., Warrants	806,819	16/05/2024	0.60	-	56,167
				<u>-</u>	<u>115,981</u>
<b>TOTAL CANADIAN EQUITIES</b>				<u>10,826,833</u>	<u>12,170,230</u>
<b>Total cost and fair value of investments (76.99%)</b>				10,826,833	12,170,230
<b>Less: Transaction costs included in average cost (Note 6)</b>				(231)	-
<b>Total investments</b>				<u>10,826,602</u>	<u>12,170,230</u>
<b>Other Assets Less Liabilities (23.01%)</b>				3,637,035	3,637,035
<b>Net assets attributable to holders of redeemable units</b>				<u>14,463,637</u>	<u>15,807,265</u>

### PORTFOLIO CONCENTRATION (CDN \$)

Portfolio by Category	% of Net Assets Attributable to Holders of Redeemable Units	
	June 30, 2021	December 31, 2020
Precious Metals	51.00%	44.07%
Base Metals	25.26%	35.81%
Energy	0.73%	1.32%
Other Assets Less Liabilities	23.01%	18.80%
Total	<u>100.00%</u>	<u>100.00%</u>

See accompanying notes.



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

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

As at

	June 30, 2021 (\$)	December 31, 2020 (\$)
<b>Assets</b>		
<b>Current Assets</b>		
Investments at fair value	2,952,055	2,642,228
Cash	295,539	569,499
Accrued dividend receivable	11,001	11,393
Refundable taxes receivable (Note 5)	792,861	792,861
Prepaid fees	-	16,375
<b>Total Assets</b>	<b>4,051,456</b>	<b>4,032,356</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Management fees payable	209	401
Other payables and accrued expenses	35,674	49,215
Payable on redemption of redeemable shares	-	28,290
<b>Total Liabilities</b>	<b>35,883</b>	<b>77,906</b>
<b>Net Assets Attributable to Holders of Redeemable Shares (Note 3)</b>	<b>4,015,573</b>	<b>3,954,450</b>
<b>Net Assets Attributable to Holders of Redeemable Shares per Series</b>		
Series A-Regular	2,641,238	2,472,916
Series F	1,374,335	1,481,534
Series I	-	-
<b>Net Assets Attributable to Holders of Redeemable Shares per Share</b>		
Series A-Regular	12.51	11.48
Series F	12.54	11.44
Series I	-	-

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

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

For the periods ended June 30,

	2021 (\$)	2020 (\$)
<b>Income (Loss)</b>		
Dividends	55,908	95,462
Interest for distribution purposes	1	771
Securities lending income (Note 7)	329	3,416
Foreign exchange gain (loss) on cash	(303)	398
Net realized gain (loss) on sale of investments	(81,426)	(144,002)
Net change in unrealized appreciation (depreciation) on investments	481,583	(1,101,985)
<b>Total Income (Loss)</b>	<b>456,092</b>	<b>(1,145,940)</b>
<b>Expenses (Note 4)</b>		
Management fees	36,565	39,920
Foreign taxes withheld (Note 5)	-	1,596
Transaction costs (Note 6)	149	1,498
Operating fees	42,054	38,789
Audit fees	13,518	18,800
Custodian fees	4,241	5,218
Legal fees	6,976	7,290
Independent Review Committee fees	1,509	2,276
Unitholder reporting costs	2,513	2,164
<b>Total Expenses</b>	<b>107,525</b>	<b>117,551</b>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations</b>	<b>348,567</b>	<b>(1,263,491)</b>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Series</b>		
Series A-Regular	219,238	(764,197)
Series F	129,329	(480,606)
Series I	-	(18,688)
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share</b>		
Series A-Regular	1.03	(3.23)
Series F	1.13	(3.29)
Series I	-	(3.74)

The accompanying notes form an integral part of the financial statements

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

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

For the periods ended June 30,

	<u>2021 (\$)</u>	<u>2020 (\$)</u>	<u>2021 (\$)</u>	<u>2020 (\$)</u>
	Series A-Regular		Series F	
<b>Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period</b>	2,472,916	3,302,823	1,481,534	2,162,141
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations</b>	219,238	(764,197)	129,329	(480,606)
<b>Redeemable Share Transactions (Note 3)</b>				
Issuance of shares	-	-	-	-
Redemption of shares	(50,916)	(175,602)	(236,528)	(296,039)
Net increase (decrease) from redeemable share transactions	(50,916)	(175,602)	(236,528)	(296,039)
<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares</b>	168,322	(939,799)	(107,199)	(776,645)
<b>Net Assets Attributable to Holders of Redeemable Shares, End of Period</b>	2,641,238	2,363,024	1,374,335	1,385,496
	<u>2021 (\$)</u>	<u>2020 (\$)</u>	<u>2021 (\$)</u>	<u>2020 (\$)</u>
	Series I		Total	
<b>Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period</b>	-	81,104	3,954,450	5,546,068
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations</b>	-	(18,688)	348,567	(1,263,491)
<b>Redeemable Share Transactions (Note 3)</b>				
Issuance of shares	-	-	-	-
Redemption of shares	-	-	(287,444)	(471,641)
Net increase (decrease) from redeemable share transactions	-	-	(287,444)	(471,641)
<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares</b>	-	(18,688)	61,123	(1,735,132)
<b>Net Assets Attributable to Holders of Redeemable Shares, End of Period</b>	-	62,416	4,015,573	3,810,936

The accompanying notes form an integral part of the financial statements

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

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

For the periods ended June 30,

	2021 (\$)	2020 (\$)
<b>Cash Flows from in Operating Activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable shares from operations	348,567	(1,263,491)
Adjustments for:		
Foreign exchange loss (gain) on cash	303	(398)
Net realized loss (gain) on sale of investments	81,426	144,002
Net change in unrealized depreciation (appreciation) on investments	(481,583)	1,101,985
Purchases of investments	-	(588,805)
Proceeds from sale and maturity of investments	90,330	1,078,314
Accrued dividend receivable	392	6,678
Refundable taxes receivable	-	(41,184)
Prepaid fees	16,375	8,314
Management fees payable	(192)	(603)
Other payables and accrued expenses	(13,541)	(23,105)
<b>Net Cash from Operating Activities</b>	<b>42,077</b>	<b>421,707</b>
<b>Cash Flows used in Financing Activities</b>		
Redemption of shares	(315,734)	(481,868)
<b>Net Cash used in Financing Activities</b>	<b>(315,734)</b>	<b>(481,868)</b>
<b>Increase (Decrease) in Cash during the Period</b>		
	<b>(273,657)</b>	<b>(60,161)</b>
Foreign exchange gain (loss) on cash	(303)	398
<b>Cash at Beginning of Period</b>	<b>569,499</b>	<b>449,652</b>
<b>Cash at End of Period</b>	<b>295,539</b>	<b>389,889</b>
<b>Supplemental disclosures on cash flows:</b>		
Dividends received	56,300	98,765
Foreign taxes paid	-	1,779
Interest received	1	771
Interest paid	-	-

The accompanying notes form an integral part of the financial statements

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

## UNAUDITED INTERIM FINANCIAL STATEMENTS

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

As at June 30 2021

	Number of Shares	Average Cost \$	Fair Value \$
<b>CANADIAN EQUITIES (66.69%)</b>			
<b>Real Estate (12.86%)</b>			
American Hotel Income Properties REIT LP	29,631	194,748	125,932
Colliers International Group Inc.	1,361	147,907	188,934
Crombie Real Estate Investment Trust	11,367	164,868	201,651
		<u>507,523</u>	<u>516,517</u>
<b>Energy (10.97%)</b>			
Enbridge Inc.	2,660	150,363	132,016
Parkland Fuel Corp.	4,024	147,546	161,201
Pembina Pipeline Corp.	3,740	163,213	147,319
		<u>461,122</u>	<u>440,536</u>
<b>Financials (9.28%)</b>			
Alaris Equity Partners Income	8,072	99,608	136,820
Bank of Nova Scotia	1,957	147,539	157,773
Brookfield Renewable Corp.	1,498	36,227	77,990
		<u>283,374</u>	<u>372,583</u>
<b>Consumer Discretionary (10.13%)</b>			
Exco Technologies Ltd.	13,632	92,794	142,045
Park Lawn Corp.	7,946	153,759	264,920
		<u>246,553</u>	<u>406,965</u>
<b>Utilities (10.00%)</b>			
AltaGas Ltd.	10,082	180,261	262,333
Canadian Utilities Ltd.	4,044	126,268	139,114
		<u>306,529</u>	<u>401,447</u>
<b>Industrials (7.77%)</b>			
Thomson Reuters Corp.	1,358	116,794	167,210
Transcontinental Inc.	6,213	91,419	144,639
		<u>208,213</u>	<u>311,849</u>
<b>Funds (3.14%)</b>			
Brookfield Global Infrastructure Securities Income Fund	15,846	96,535	126,134
		<u>96,535</u>	<u>126,134</u>
<b>Communication Services (2.54%)</b>			
BCE Inc.	1,667	91,607	101,904
		<u>91,607</u>	<u>101,904</u>
<b>TOTAL CANADIAN EQUITIES</b>		<u>2,201,456</u>	<u>2,677,935</u>
<b>UNITED STATES EQUITIES (6.83%)</b>			
<b>Utilities (3.58%)</b>			
Brookfield Renewable Partners LP	2,998	71,094	143,580
		<u>71,094</u>	<u>143,580</u>
<b>Real Estate (3.25%)</b>			
Brookfield Property Partners LP	5,562	147,491	130,540
		<u>147,491</u>	<u>130,540</u>
<b>TOTAL UNITED STATES EQUITIES</b>		<u>218,585</u>	<u>274,120</u>
<b>Total cost and fair value of investments (73.52%)</b>		2,420,041	2,952,055
<b>Less: Transaction costs included in average cost (Note 6)</b>		(2,402)	-
<b>Total investments</b>		2,417,639	2,952,055
<b>Other Assets Less Liabilities (26.48%)</b>		1,063,518	1,063,518
<b>Net assets attributable to holders of redeemable shares</b>		<u>3,481,157</u>	<u>4,015,573</u>

See accompanying notes.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

## PORTFOLIO CONCENTRATION (CDN \$)

Portfolio by Category	% of Net Assets Attributable to	
	June 30, 2021	December 31, 2020
Real Estate	16.11%	15.46%
Utilities	13.58%	12.12%
Energy	10.97%	9.70%
Consumer Discretionary	10.13%	8.80%
Financials	9.28%	9.30%
Industrials	7.77%	6.80%
Mutual Funds	3.14%	2.35%
Communication Services	2.54%	2.29%
Other Assets Less Liabilities	26.48%	33.18%
Total	100.00%	100.00%

See accompanying notes.

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 1. THE FUNDS

Marquest Mutual Funds Inc. (the "Corporation") is an open-ended mutual fund corporation 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 Classes of mutual fund shares – Explorer Series Fund and Flex Dividend and Income Growth™ Series Fund (the Funds). The Funds are referred to individually as a "Fund" and collectively as the "Funds". The Funds' registered office is located at 161 Bay Street, 27<sup>th</sup> 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.

The investment objective of the Explorer Series Fund is to provide long-term growth by investing primarily in equity securities of Canadian mineral exploration and mining companies. The investment objective of the Flex Dividend and Income Growth™ Series Fund is to provide long-term capital appreciation by investing primarily in large-cap, and secondarily in small- and mid-cap, high yield securities. It is expected that 75% of the Fund's portfolio will be invested in a combination of dividend paying and income bearing investments.

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 and Treasury 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

The interim Statements of Financial Position are as at June 30, 2021 and December 31, 2020. The interim Statements of Comprehensive Income (Loss), Changes in Net Assets Attributable to Holders of Redeemable Shares, and Cash Flows are for the six-month periods ended June 30, 2021 and 2020. Throughout this document, references to the period or periods refer to the reporting periods described here.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of Presentation

These interim financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

These financial statements were authorized for issue by the Board of Directors of Marquest Mutual Funds Inc. on August 27, 2021.

These financial statements present the financial information of each of the Classes as separate reporting entities. If a Class cannot satisfy its obligations, the other Classes may be required to satisfy them using assets attributable to those Classes. The Manager believes that the risk of such cross class liability is remote.

### (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 income and expenses during the reporting periods. 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 and measurement of investments and classification of the Fund as an investment entity. The impacts of such estimates 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) 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 Funds' 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 Fair value through profit and loss (FVTPL).

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

#### Unconsolidated Structured Entities

Flex Dividend and Income Growth™ Series Fund invested in mortgage-related or other asset-backed securities. These securities include commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are securitized by and payable from, mortgage loans on real property. Mortgage-related securities are created from pools of residential or commercial mortgage loans while asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans. The Funds account for these investments at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, represents the maximum exposure to losses at that date.

Flex Dividend and Income Growth™ Series Fund also invest in mutual funds managed by third party investment managers. The Fund consider all investment in such instruments ("Underlying Funds") to be investments in unconsolidated structured entities based on the fact that the decisions made by these Underlying Funds are not governed by voting rights or any similar rights held by the Funds. The Fund account for these for these unconsolidated structured entities at fair value."

### (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.

### (f) Financial Instruments

#### Recognition and derecognition

All financial instruments are recognized at fair value upon initial recognition when a fund becomes a party to the contractual requirements of the financial instruments. A financial asset is derecognized when the right to receive cash flows from the asset has expired if the Funds have substantially transferred all risk and rewards of ownership. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

#### Classification and measurement

In classifying and measuring financial instruments held by the Funds, the manager is required to assess the Funds' business model, the manner in which all financial assets and financial liabilities are managed and performance evaluated as a group on a fair value basis and the contractual cash flow characteristics of these financial instruments. The Funds' portfolio of financial assets is managed and evaluated on a fair value basis. Consequently, the funds classify and measure all investments and derivatives at Fair value through profit and loss (FVTPL).

All other assets and liabilities are subsequently measured at amortized cost in accordance with IFRS 9. Financial Instruments (IFRS 9).

The Funds classify each financial instrument into one of the three fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly (i.e. derived from prices); or indirectly (i.e. derived from prices); and

Level 3 - for inputs that are based on unobservable market data.

If inputs of different levels are used to measure an asset or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Funds policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

All fair value measurements are recurring. For financial instruments whose fair values approximate their carrying values, given their short term nature, the carrying values of financial instruments measured at amortized costs approximate their fair values. The Funds' financial instruments which are recorded at fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

The models used to determine fair value measurements included in the financial statements of the Funds including Level 3 measurements, if any, are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The Manager considers and reviews the appropriateness of the valuation models, the valuation results, as well as any adjustments to the prices or estimates used by these models. At each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements.

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



# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Financial Instruments (continued)

#### Fair Value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Fixed income securities are valued at the bid price on the reporting date. Investments in underlying funds are valued at the net asset value per share of each underlying fund reported by the underlying funds manager as of the close of regular trading on the Toronto Stock Exchange. Unlisted warrants are valued using the options pricing valuation model. The model factors in the time value of money and the volatility inputs significant to such valuation. For purposes of determining Transactional Net Asset Value, as defined in Note 2 (g) and 11, unlisted warrants are valued at their intrinsic value.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other models commonly used by market participants, which make the maximum use of observable inputs. Refer to Note 10 for further information about the Fund's fair value measurements.

### (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 transactional net asset value per share. The transactional 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 transactional net asset value ("Transactional NAV") of each series by its outstanding shares. The transactional 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.

### (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) Income Recognition

#### Dividend Income

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 FVTPL is recognized on an accrual basis and represents the coupon interest received by the Funds accounted for on an accrual basis. The Funds do 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

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.

#### 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 the 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.

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 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

Series A-Rollover is used by the Fund when there is a rollover of Limited Partnership units. Dealers cannot directly purchase this series. There is no Initial sales charge.

Series A-Regular have an initial sales charge of up to 5%.which may be charged by the broker or dealer, no fees or commission is charged by the Fund.

Series F have an initial sales charge of up to 2%.which may be charged by the broker or dealer, no fees or commission is charged by the Fund.

During the periods ended June 30, 2021 and 2020, the following shares were issued (including transfers from other series) and redeemed (including transfers to other series):

June 30, 2021	Outstanding beginning of period	Shares issued	Shares redeemed	Outstanding end of period
Explorer Series Fund				
Series A-Rollover	12,332,219	7,074,385	(8,047,237)	11,359,367
Series A-Regular	14,687	31,411	(26,455)	19,643
Series F	1,049,179	1,751,882	(1,488,932)	1,312,129
Flex Dividend and Income Growth™ Series Fund				
Series A-Regular	215,454	-	(4,299)	211,155
Series F	129,501	-	(19,885)	109,616
Series I	-	-	-	-

June 30, 2020	Outstanding beginning of period	Shares issued	Shares redeemed	Outstanding end of period
Explorer Series Fund				
Series A-Rollover	17,274,341	12,641,666	(15,846,045)	14,069,962
Series A-Regular	14,098	-	(11,179)	2,919
Series F	180,810	1,651,500	(1,529,807)	302,503
Flex Dividend and Income Growth™ Series Fund				
Series A-Regular	245,971	-	(15,990)	229,981
Series F	163,397	-	(27,342)	136,055
Series I	5,000	-	-	5,000

## 4. EXPENSES AND RELATED PARTY TRANSACTIONS

The following summarizes the annual management fee for the Funds paid yearly based on the daily NAV of each series of the Fund.

	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 the Funds. No fees were absorbed during the period ended June 30, 2021 and 2020.

Included in 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 the 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 period ended June 30, 2021, \$nil (2020 – \$2,625) 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.

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 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 38 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 38 1/3% tax is refundable on payments of taxable dividends to shareholders at the rate of \$1 for each \$2.61 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 capital losses carry-forwards as of December 31, 2020 and non-capital losses carry-forwards as of December 31, 2020.

### (c) Withholding Taxes

Flex Dividend and Income Growth™ Series Fund holds foreign securities which 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 may incur brokerage commissions, a portion of which may have been received by the Funds' investment advisers in the form of investment or research services. For the period ended June 30, 2021, the total soft dollar benefits received for the Explorer Series Fund and Flex Dividend and Income Growth™ Series Fund were \$0 and \$0 respectively (2020 – \$0 and \$0 respectively).

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 following table shows the aggregate fair value of securities loaned and collateral held under securities lending transactions at June 30, 2021 and December 31, 2020:

June 30, 2021	Securities on loan	Collateral amount	Collateral as percentage of securities loaned	
			\$	%
	\$	\$		
Flex Dividend and Income Growth™ Series Fund	703,796	738,989		105%

  

December 31, 2020	Securities on loan	Collateral amount	Collateral as percentage of securities loaned	
			\$	%
	\$	\$		
Flex Dividend and Income Growth™ Series Fund	674,737	708,477		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.

June 30, 2021	Gross securities lending income	Securities lending charge		Net securities lending income	Withholding taxes	Net income received
		\$	%			
	\$	\$	%	\$	\$	\$
Explorer Series Fund	-	-	-	-	-	-
Flex Dividend and Income Growth™ Series Fund	508	178	35	330	1	329

  

December 31, 2020	Gross securities lending income	Securities lending charge		Net securities lending income	Withholding taxes	Net income received
		\$	%			
	\$	\$	%	\$	\$	\$
Explorer Series Fund	4,755	1,664	35	3,091	-	3,091
Flex Dividend and Income Growth™ Series Fund	5,914	2,070	35	3,844	30	3,814

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 8. FUND MERGERS

The acquisition method of accounting was adopted for the merger of limited partnerships 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 fund.

Terminating fund	Merger date	Continuing fund	Series	Transactional net assets acquired \$	Shares issued	Exchange ratio %
Marquest Mining Québec 2019-I Super Flow-Through LP, Class A	5/15/2020	Explorer Series Fund	A-Rollover	5,045,289	12,641,666	176.39
Marquest Mining Québec 2019-I Super Flow-Through LP, Class F	5/15/2020	Explorer Series Fund	F	656,636	1,651,500	189.61
Marquest Mining 2019-I Super Flow-Through LP, Class A	10/16/2020	Explorer Series Fund	A-Rollover	1,069,451	1,459,802	156.63
Marquest Mining 2019-I Super Flow-Through LP, Class F	10/16/2020	Explorer Series Fund	F	711,197	962,248	163.65
Marquest Mining Québec 2019-II Super Flow-Through LP, Class A	10/16/2020	Explorer Series Fund	A-Rollover	13,929,504	19,013,792	142.13
Marquest Mining Québec 2019-II Super Flow-Through LP, Class F	10/16/2020	Explorer Series Fund	F	3,139,935	4,248,322	145.09
Marquest Mining Québec 2020-I Super Flow Through LP, Class A	5/14/2021	Explorer Series Fund	A-Rollover	8,881,180	7,074,385	84.75
Marquest Mining Québec 2020-I Super Flow Through LP, Class F	5/14/2021	Explorer Series Fund	F	1,247,791	978,430	85.6

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

## 9. CAPITAL MANAGEMENT DISCLOSURES

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

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 10. FINANCIAL INSTRUMENTS

### (a) Fair Value

Financial instruments of the Funds include investments at fair value. 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 price 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. Unlisted warrants are valued using options valuation model. The model factors in the time value of money and volatility inputs significant to such valuation. For the purpose of determining Net Asset Value, unlisted warrants are valued at their intrinsic 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 June 30, 2021 and December 31, 2020:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>June 30, 2021</b>				
Explorer Series Fund	10,832,880	-	1,337,350	12,170,230
Flex Dividend and Income Growth™ Series Fund	2,952,055	-	-	2,952,055
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>December 31, 2020</b>				
Explorer Series Fund	8,237,522	-	1,467,475	9,704,997
Flex Dividend and Income Growth™ Series Fund	2,642,228	-	-	2,642,228

During the period ended June 30, 2021, \$0 (December 31, 2020 – \$0) 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 six-month period ended June 30, 2021 and twelve-month period ended December 31, 2020:

Explorer Series Fund	June 30, 2021 \$	December 31, 2020 \$
Beginning of period	1,467,475	279,531
Purchases	482,494	405,691
Sales	(62,972)	(263,688)
Transfers into Level 3	92,920	1,198,890
Transfers out of Level 3	-	(31,957)
Net realized gain (loss) on sale of investments	(169,467)	(216,719)
Net change in unrealized appreciation (depreciation) in value	(477,100)	95,727
<b>Ending Balance</b>	<b>1,337,350</b>	<b>1,467,475</b>
The unrealized gain (loss) for the period attributable to Level 3 securities held at June 30, 2021 and December 31, 2020	353,315	937,108

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 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.

The fair value of the level 3 securities during the year are calculated using a 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.

Below is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of level 3 financial instruments. The significant unobservable inputs used in the valuation of Level 3 Financial instruments can vary considerably over time depending on company specific factors and economic or market conditions. Below illustrates the potential impact on the Fund if the significant unobservable inputs used in the valuation techniques had increased or decreased by 10%. Securities where the reasonable possible shift in the significant unobservable inputs did not result in a material impact on the Fund are indicated below as n/a.

Explorer Series Fund				
Security	Valuation technique	Significant unobservable input	Carrying Value as at June 30, 2021	Change in Valuation
			\$	\$
Equities	Market Information		148,901	n/a
Warrants	Options Pricing Model	Liquidity Discount and Historical Volatility	1,188,449	28,532
			1,337,350	

Explorer Series Fund				
Security	Valuation technique	Significant unobservable input	Carrying Value as at December 31, 2020	Change in Valuation
			\$	\$
Equities	Market Information		60,000	n/a
Warrants	Options Pricing Model	Liquidity Discount and Historical Volatility	1,407,475	39,211
			1,467,475	

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 10. FINANCIAL INSTRUMENTS (continued)

(b) Unconsolidated structured entities

Information on the carrying amount and the size of the investments in structured entities are shown in the following tables:

	Carrying Amount \$	Carrying amount as a % of the underlying fund's Net Assets
<b>June 30, 2021</b>		
American Hotel Income Properties REIT LP	125,932	3.14
Colliers International Group Inc.	188,934	4.71
Crombie Real Estate Investment Trust	201,651	5.02
Brookfield Global Infrastructure Securities Income Fund	126,134	3.14
Brookfield Property Partners LP	130,540	3.25
	773,191	

	Carrying Amount \$	Carrying amount as a % of the underlying fund's Net Assets
<b>December 31, 2020</b>		
American Hotel Income Properties REIT LP	92,449	2.34
Colliers International Group Inc.	154,174	3.90
Crombie Real Estate Investment Trust	163,116	4.12
H&R Real Estate Investment Trust	98,745	2.50
Brookfield Global Infrastructure Securities Income Fund	93,491	2.36
Brookfield Property Partners LP	102,397	2.59
	704,372	

(c) Risk Management and Disclosures

The continued impact of unanticipated market disruptions and volatility associated with the COVID-19 pandemic have had a global impact, and uncertainty exists as to the long-term implications. Such disruptions can adversely affect the financial instrument risks associated with each of the Funds.

The Funds' investment activities expose them to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Funds as at June 30, 2021, 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. 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.

# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 10. FINANCIAL INSTRUMENTS (continued)

### (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 tables below indicate the foreign currencies to which the Funds have significant exposure as at June 30, 2021 and December 31, 2020. 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.

June 30, 2021	Currency	Fair value \$	% of Net assets attributable to holders of redeemable units %	Potential impact on net assets \$
Explorer Series Fund	United States dollars	33	-	2
Flex Dividend and Income Growth™ Series Fund	United States dollars	15,777	0.4	789

December 31, 2020	Currency	Fair value \$	% of Net assets attributable to holders of redeemable units %	Potential impact on net assets \$
Explorer Series Fund	United States dollars	34	-	2
Flex Dividend and Income Growth™ Series Fund	United States dollars	18,534	0.5	927

#### 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.

#### 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 risk 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 Fund is indirectly exposed to price risk of the underlying funds/securities.

The most significant exposure to other price risk arises from the Funds' investments in equity securities. As of June 30, 2021 and December 31, 2020, had the prices of the equity securities on the respective stock exchanges for these securities raised or lowered by 10%, with all other variables held constant, net assets attributable to holders of redeemable shares would have increased or decreased respectively as follows:

June 30, 2021	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	12,170,230	77.0	1,217,023
Flex Dividend and Income Growth™ Series Fund	2,952,055	73.5	295,206

  

December 31, 2020	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	9,704,997	81.2	970,500
Flex Dividend and Income Growth™ Series Fund	2,642,228	66.8	264,223



# Marquest Mutual Funds Inc.

Notes to Unaudited Interim Financial Statements (expressed in Canadian dollars)

For the period ended June 30, 2021

## 10. FINANCIAL INSTRUMENTS (continued)

### (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 including management fees payable, other payable and accrued expenses and payable on redemption of redeemable shares. 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 Fund's portfolio for securities that may be considered for potential reclassification as illiquid. In addition, the Fund aims to retain sufficient cash to maintain liquidity. Accordingly, the Fund's liquidity risk is considered minimal.

### (iii) Credit Risk

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

### (iv) Concentration Risk

Portfolio concentration risk is the risk of loss in the total value of the portfolio investments of the Fund due to an over-concentration of investments in a particular instrument, sector or country. A summary of the portfolio's concentration risk by industry sector as at June 30, 2021 and December 31, 2020 is shown in the Fund's Schedule of Investment Portfolio.

## 11. IFRS NET ASSETS VERSUS TRANSACTIONAL NET ASSET VALUE

The Funds' accounting policies for measuring the fair value of their investments and derivatives are identical to those used in measuring their net asset value for transactions with unitholders in accordance with Part 14 of National Instrument 81-106 Investment Funds for Continuous Disclosure ("NI 81-106"), except when the Funds hold unlisted warrants, which as described above are valued at their intrinsic value for unitholder transactions. A comparison of the net assets per unit in accordance with IFRS ("IFRS Net Assets") and the net asset value calculated in accordance with NI 81-106 ("Transactional Net Asset Value") is presented in the tables below.

Explorer Series Fund	June 30, 2021		
	Series A/Rollover	Series A/Regular	Series F
Transactional Net Asset Value	\$ 13,997,149	\$ 27,399	\$ 1,645,202
IFRS Net Assets	\$ 14,119,986	\$ 27,639	\$ 1,659,640
Transactional Net Asset Value per Share	\$ 1.23	\$ 1.39	\$ 1.25
IFRS Net Assets per Share	\$ 1.24	\$ 1.41	\$ 1.26

Explorer Series Fund	December 31, 2020		
	Series A/Rollover	Series A/Regular	Series F
Transactional Net Asset Value	\$ 10,777,666	\$ 14,025	\$ 929,653
IFRS Net Assets	\$ 10,990,868	\$ 14,302	\$ 948,043
Transactional Net Asset Value per Share	\$ 0.87	\$ 0.95	\$ 0.89
IFRS Net Assets per Share	\$ 0.89	\$ 0.97	\$ 0.90

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