



**MARQUEST MUTUAL
FUNDS INC.**

ANNUAL REPORT

Year ended December 31, 2021

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Independent auditor's report

To the Shareholders of
Marquest Mutual Funds Inc. - Explorer Series Fund
Marquest Mutual Funds Inc. - Flex Dividend and Income Growth™ Series Fund
(individually, a Fund)

Our opinion

In our opinion, the accompanying financial statements of each Fund present fairly, in all material respects, the financial position of each Fund as at December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at December 31, 2021 and 2020;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable shares for the years then ended;
- the statements of cash flow for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Annual Management Report of Fund Performance of each Fund.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

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

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 30, 2022

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at

| | December 31, 2021 (\$) | December 31, 2020 (\$) |
|---|---------------------------|---------------------------|
| Assets | | |
| Current Assets | | |
| Investments at fair value | 10,656,602 | 9,704,997 |
| Cash | 2,625,425 | 1,395,614 |
| Refundable taxes receivable (Note 5) | 980,732 | 980,732 |
| Prepaid fees | - | 16,376 |
| Total Assets | 14,262,759 | 12,097,719 |
| Liabilities | | |
| Current Liabilities | | |
| Management fees payable | 2,339 | 1,377 |
| Other payables and accrued expenses | 115,539 | 80,182 |
| Payable on redemption of redeemable shares | - | 62,947 |
| Total Liabilities | 117,878 | 144,506 |
| Net Assets Attributable to Holders of Redeemable Shares (Note 3) | 14,144,881 | 11,953,213 |
| Net Assets Attributable to Holders of Redeemable Shares per Series | | |
| Series A-Rollover | 12,278,120 | 10,990,868 |
| Series A-Regular | 4,310 | 14,302 |
| Series F | 1,862,451 | 948,043 |
| Net Assets Attributable to Holders of Redeemable Shares per Share (Note 3) | | |
| Series A-Rollover | 1.02 | 0.89 |
| Series A-Regular | 1.15 | 0.97 |
| Series F | 1.05 | 0.90 |

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

"Ellen Sun"

Ellen Sun
Director

"Andrew A. McKay"

Andrew A. McKay
Director

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the years ended

| | December 31, 2021 (\$) | December 31, 2020 (\$) |
|--|---------------------------|---------------------------|
| Income | | |
| Interest for distribution purposes | 1,248 | 2,194 |
| Securities lending income (Note 7) | 19 | 3,091 |
| Foreign exchange gain (loss) on cash | (1) | - |
| Net realized gain (loss) on sale of investments | 4,601,450 | 3,512,914 |
| Net change in unrealized appreciation (depreciation) on investments | (2,294,111) | 3,875,166 |
| Total Income (Loss) | 2,308,605 | 7,393,365 |
| Expenses (Note 4) | | |
| Management fees | 314,995 | 188,905 |
| Operating fees | 172,464 | 184,537 |
| Transaction costs (Note 6) | 144,329 | 102,097 |
| Legal fees | 48,812 | 17,501 |
| Audit fees | 47,592 | 50,503 |
| Independent Review Committee fees | 25,600 | 21,288 |
| Custodian fees | 22,630 | 35,271 |
| Unitholder reporting costs | 11,593 | 8,844 |
| Interest charges | 10 | 67 |
| Total Expenses | 788,025 | 609,013 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations | 1,520,580 | 6,784,352 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Series | | |
| Series A-Rollover | 1,557,975 | 6,536,056 |
| Series A-Regular | 3,617 | 2,580 |
| Series F | (41,012) | 245,716 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share | | |
| Series A-Rollover | 0.13 | 0.45 |
| Series A-Regular | 0.22 | 0.34 |
| Series F | (0.03) | 0.52 |

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

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

For the years ended December 31

| | <u>2021 (\$)</u> | <u>2020 (\$)</u> | <u>2021 (\$)</u> | <u>2020 (\$)</u> |
|---|-------------------|------------------|------------------|------------------|
| | Series A-Rollover | | Series A-Regular | |
| Net Assets Attributable to Holders of Redeemable Shares, Beginning of Year | 10,990,868 | 6,957,517 | 14,302 | 6,050 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations | 1,557,975 | 6,536,056 | 3,617 | 2,580 |
| Redeemable Share Transactions (Note 3) | | | | |
| Issuance of shares | 28,829,446 | 20,045,244 | 42,980 | 12,164 |
| Redemption of shares | (29,100,169) | (22,547,949) | (56,589) | (6,492) |
| Net increase (decrease) from redeemable share transactions | (270,723) | (2,502,705) | (13,609) | 5,672 |
| Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares | 1,287,252 | 4,033,351 | (9,992) | 8,252 |
| Net Assets Attributable to Holders of Redeemable Shares, End of Year | 12,278,120 | 10,990,868 | 4,310 | 14,302 |
| | <u>2021 (\$)</u> | <u>2020 (\$)</u> | <u>2021 (\$)</u> | <u>2020 (\$)</u> |
| | Series F | | Total | |
| Net Assets Attributable to Holders of Redeemable Shares, Beginning of Year | 948,043 | 72,250 | 11,953,213 | 7,035,817 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations | (41,012) | 245,716 | 1,520,580 | 6,784,352 |
| Redeemable Share Transactions (Note 3) | | | | |
| Issuance of shares | 8,614,945 | 4,515,393 | 37,487,371 | 24,572,801 |
| Redemption of shares | (7,659,525) | (3,885,316) | (36,816,283) | (26,439,757) |
| Net increase (decrease) from redeemable share transactions | 955,420 | 630,077 | 671,088 | (1,866,956) |
| Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares | 914,408 | 875,793 | 2,191,668 | 4,917,396 |
| Net Assets Attributable to Holders of Redeemable Shares, End of Year | 1,862,451 | 948,043 | 14,144,881 | 11,953,213 |

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW (CDN \$)

For the years ended

| | December 31, 2021 (\$) | December 31, 2020 (\$) |
|--|---------------------------|---------------------------|
| Cash Flows from Operating Activities | | |
| Increase (Decrease) in net assets attributable to holders of redeemable shares from operations | 1,520,580 | 6,784,352 |
| Adjustments for: | | |
| Foreign exchange loss (gain) on cash | 1 | - |
| Net realized loss (gain) on sale of investments | (4,601,450) | (3,512,914) |
| Net change in unrealized depreciation (appreciation) on investments | 2,294,111 | (3,875,166) |
| Purchases of investments* | (3,929,839) | (1,382,503) |
| Proceeds from sale and maturity of investments | 20,220,732 | 13,015,494 |
| Refundable taxes receivable | - | (88,843) |
| Prepaid fees | 16,376 | (67) |
| Management fees payable | 962 | (1,603) |
| Other payables and accrued expenses | 35,357 | 54,795 |
| Net Cash from Operating Activities | 15,556,830 | 10,993,545 |
| Cash Flows used in Financing Activities | | |
| Issuance of shares* | 22,552,212 | 15,842,177 |
| Redemption of shares | (36,879,230) | (26,381,536) |
| Net Cash used in Financing Activities | (14,327,018) | (10,539,359) |
| Increase in Cash during the Year | 1,229,812 | 454,186 |
| Foreign exchange gain (loss) on cash | (1) | - |
| Cash at Beginning of Year | 1,395,614 | 941,428 |
| Cash at End of Year | 2,625,425 | 1,395,614 |
| Supplementary disclosures on cash flow from operating activities: | | |
| Interest received | 1,248 | 2,194 |
| Interest paid | (10) | (67) |

*Excludes in-kind transactions of \$14,935,163 and \$8,730,624 for the years ended December 31, 2021 and 2020.

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31, 2021

| | Number of Shares, Units or Warrants | Expiry Date | Exercise Price \$ | Average Cost \$ | Fair Value \$ |
|--|--|-------------|----------------------|-----------------|---------------|
| CANADIAN EQUITIES (75.35%) | | | | | |
| Precious Metals (51.81%) | | | | | |
| Appia Rare Earth & Uranium Co. | 625,000 | | | 312,500 | 362,500 |
| Beauce Gold Fields Inc., Warrants | 1,093,750 | 25/11/2022 | 0.21 | 41,016 | 6,150 |
| Benton Resources Inc. | 677,500 | | | 135,500 | 111,788 |
| Benton Resources Inc., Warrants | 1,250,000 | 11/12/2022 | 0.30 | 2 | 4,956 |
| Black Tusk Resources Inc. | 7,041,667 | | | 277,979 | 211,250 |
| Black Tusk Resources Inc., Warrants | 3,750,000 | 9/11/2023 | 0.10 | 4 | 3,736 |
| Braveheart Resources Inc., Warrants | 2,608,696 | 6/4/2023 | 0.14 | 3 | 5,379 |
| Brixton Metals Corp.* | 555,556 | | | 100,000 | 105,083 |
| Brixton Metals Corp., Warrants* | 555,556 | 7/12/2024 | 0.26 | - | 23,357 |
| Canada Silver Cobalt Works Inc., Warrants | 638,298 | 7/4/2023 | 0.58 | 1 | 290 |
| Canada Silver Cobalt Works Inc., Warrants | 333,334 | 15/6/2022 | 0.70 | - | - |
| Canada Silver Cobalt Works Inc., Warrants | 1,330,532 | 25/11/2022 | 0.80 | 1 | - |
| Cassiar Gold Corp., Warrants | 142,856 | 30/10/2022 | 0.90 | - | 53,381 |
| CAT Strategic Metals Corp., Warrants | 3,055,556 | 26/2/2026 | 0.16 | 3 | 13,633 |
| Class 1 Nickel & Technologies Ltd. | 1,229,091 | | | 362,582 | 467,055 |
| Class 1 Nickel & Technologies Ltd., Warrants | 468,750 | 12/11/2023 | 1.05 | - | 10,213 |
| Commerce Resources Corp. | 2,040,935 | | | 449,006 | 459,210 |
| Cross River Ventures Corp. | 547,352 | | | 82,103 | 68,419 |
| Cross River Ventures Corp., Warrants | 675,676 | 23/12/2023 | 0.46 | - | 2,540 |
| Defense Metals Corp. | 500,000 | | | 151,398 | 132,500 |
| Defense Metals Corp., Warrants | 1,700,000 | 12/6/2022 | 0.35 | 2 | 13,592 |
| Defense Metals Corp., Warrants | 375,000 | 12/6/2022 | 0.30 | - | 5,826 |
| Emgold Mining Corp. | 996,028 | | | 83,650 | 34,861 |
| Emgold Mining Corp., Warrants | 1,500,000 | 18/9/2022 | 0.16 | 2 | - |
| Engold Mines Ltd., Warrants | 233,333 | 14/8/2022 | 1.00 | 2 | 18,590 |
| Equity Metals Corp., Warrants | 1,388,889 | 9/12/2023 | 0.25 | 1 | 18,549 |
| Ethos Gold Corp., Warrants | 1,363,636 | 1/4/2023 | 0.40 | 1 | 74,890 |
| Exploits Discovery Corp., Warrants | 612,245 | 15/3/2023 | 0.67 | 1 | 46,851 |
| Fancamp Exploration Ltd. | 484,667 | | | 60,583 | 48,467 |
| G.E.T.T. Gold Inc. | 12,000,000 | | | 300,000 | 240,000 |
| G.E.T.T. Gold Inc., Warrants | 6,000,000 | 23/12/2022 | 0.08 | 6 | 217 |
| Galleon Gold Corp., Warrants | 3,181,818 | 11/6/2022 | 0.08 | 143,182 | 8,970 |
| Gitennes Exploration Inc. | 600,000 | | | 36,000 | 27,000 |
| Gitennes Exploration Inc., Warrants | 675,000 | 23/12/2022 | 0.15 | 1 | 134 |
| Golden Goliath Resources Ltd., Warrants | 1,304,348 | 17/3/2023 | 0.20 | 1 | 489 |
| Goldflare Exploration Inc. | 1,353,846 | | | 83,025 | 94,769 |
| Goldseek Resources Inc. | 83,540 | | | 15,037 | 9,189 |
| Goldseek Resources Inc., Warrants | 375,000 | 11/6/2022 | 0.50 | - | - |
| Goldseek Resources Inc., Warrants | 270,270 | 12/11/2022 | 0.60 | - | - |
| Goldseek Resources Inc., Warrants | 375,000 | 29/6/2022 | 0.50 | - | - |
| Great Atlantic Resource Corp., Warrants | 263,158 | 11/3/2023 | 0.75 | - | 308 |
| Group Ten Metals Inc. | 441,176 | | | 110,294 | 174,265 |
| Gsp Resource Corp., Warrants | 312,500 | 16/11/2022 | 0.50 | - | 309 |
| Happy Creek Minerals Ltd. | 3,000,000 | | | 135,000 | 135,000 |
| Happy Creek Minerals Ltd., Warrants | 5,000,000 | 19/11/2023 | 0.12 | 5 | 12,552 |
| Imperial Mining Group Ltd. | 700,455 | | | 109,650 | 98,064 |
| Independence Gold Corp. | 1,000,000 | | | 65,000 | 100,000 |
| Laurion Mineral Exploration Inc. | 696,834 | | | 104,525 | 529,593 |
| Lomiko Metals Inc. | 449,000 | | | 44,900 | 44,900 |
| Lomiko Metals Inc., Warrants | 4,500,000 | 23/12/2022 | 0.10 | 5 | 72,845 |
| Metalex Ventures Ltd. | 8,968,706 | | | 313,905 | 269,061 |
| Metallis Resources Inc., Warrants | 666,666 | 16/10/2023 | 0.68 | - | 13,403 |
| Metals Creek Resources Corp. | 3,000,000 | | | 300,000 | 525,000 |
| Newfoundland Discovery Corp. | 207,142 | | | 85,964 | 76,643 |
| Northern Superior Resources Inc. | 309,091 | | | 200,909 | 244,182 |
| NorZinc Ltd. | 1,250,000 | | | 75,000 | 62,500 |
| Opus One Gold Corp. | 1,432,000 | | | 112,182 | 78,760 |
| Pershimex Resources Corp. | 2,968,143 | | | 158,946 | 118,726 |
| Quadro Resources Ltd. | 585,295 | | | 46,824 | 29,265 |
| Quadro Resources Ltd., Warrants | 1,617,648 | 29/12/2022 | 0.20 | 2 | 32 |
| Renforth Resources Inc. | 1,848,485 | | | 141,287 | 147,879 |
| Renforth Resources Inc., Warrants | 3,181,818 | 30/6/2022 | 0.08 | 63,643 | 33,934 |
| Rockridge Resources Ltd., Warrants | 714,286 | 5/3/2024 | 0.22 | 1 | 4,082 |
| Sage Gold Inc. | 2,272,727 | | | - | - |
| Silver Spruce Resources Inc. | 4,333,334 | | | 195,000 | 195,000 |
| Silver Spruce Resources Inc., Warrants | 4,166,668 | 21/12/2022 | 0.08 | 4 | 4,604 |

*These securities are subject to temporary trading restrictions.

See accompanying notes.

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31, 2021

| | Number of Shares, Units or Warrants | Expiry Date | Exercise Price \$ | Average Cost \$ | Fair Value \$ |
|--|--|-------------|----------------------|-------------------|-------------------|
| CANADIAN EQUITIES (CONT'D) (75.35%) | | | | | |
| Precious Metals (Cont.) (51.81%) | | | | | |
| Sitka Gold Corp. | 876,852 | | | 78,917 | 144,681 |
| Sitka Gold Corp., Warrants | 925,926 | 3/3/2024 | 0.18 | 1 | 25,097 |
| Sokoman Minerals Corp. | 443,478 | | | 170,720 | 153,000 |
| Sphinx Resources Ltd. | 2,252,769 | | | 76,485 | 22,528 |
| Starr Peak Exploration Ltd., Warrants | 100,000 | 7/2/2022 | 2.00 | 128,000 | 2,405 |
| Starr Peak Mining Ltd. | 511,200 | | | 1,305,269 | 909,935 |
| Starr Peak Mining, Warrants | 250,000 | 12/5/2022 | 2.50 | 58,500 | 5,763 |
| Sterling Metals Corp., Warrants | 236,842 | 31/3/2023 | 0.78 | - | 2,028 |
| TDG Gold Corp.* | 200,000 | | | 100,000 | 114,460 |
| TDG Gold Corp., Warrants* | 100,000 | 22/12/2023 | 0.75 | - | 8,723 |
| Temas Resources Corp. | 400,000 | | | 80,000 | 74,000 |
| Tomagold Corp. | 500,000 | | | 32,500 | 27,500 |
| Tomagold Corp., Warrants | 2,500,000 | 12/23/2022 | 0.15 | 3 | 813 |
| Trifecta Gold Ltd. | 1 | | | - | - |
| Ximen Mining Corp., Warrants | 500,000 | 31/7/2022 | 0.75 | 1 | - |
| X-Terra Resources Inc. | 516,129 | | | 25,806 | 15,484 |
| X-Terra Resources Inc., Warrants | 2,258,064 | 21/12/2022 | 0.20 | 3 | - |
| Zincx Resources Corp. | 999,000 | | | 169,830 | 119,880 |
| ZincX Resources Corp., Warrants | 875,000 | 9/4/2023 | 0.40 | 1 | 569 |
| Zonte Metals Inc. | 251,036 | | | 56,986 | 46,442 |
| | | | | <u>7,179,660</u> | <u>7,328,049</u> |
| Base Metals (18.56%) | | | | | |
| Affinity Metals Corp., Warrants | 888,889 | 2/11/2022 | 0.65 | 1 | - |
| Argex Titanium Inc. | 10,000,000 | | | - | - |
| Murchison Minerals Ltd. | 677,009 | | | 61,266 | 98,166 |
| Orford Mining Corp.* | 555,556 | | | 100,000 | 98,347 |
| Orford Mining Corp., Warrants* | 277,778 | 4/22/2023 | 0.26 | - | 4,646 |
| Purepoint Uranium Group Inc. | 860,000 | | | 68,800 | 73,100 |
| Purepoint Uranium Group Inc., Warrants | 10,000,000 | 17/12/2022 | 0.08 | 700,000 | 169,469 |
| QC Copper and Gold Inc. | 3,095,239 | | | 509,525 | 1,052,380 |
| Saville Resources Inc. | 7,615,000 | | | 352,750 | 304,600 |
| Seahawk Gold Corp. | 720,750 | | | 197,306 | 295,508 |
| St-Georges Eco-Mining Corp. | 854,150 | | | 225,582 | 384,368 |
| St-Georges Eco-Mining Corp., Warrants | 500,000 | 11/3/2024 | 0.75 | 1 | 5,867 |
| Stria Lithium Inc. | 3,000,000 | | | 22,500 | 120,000 |
| The Magpie Mines Inc. | 3,771,428 | | | 850,000 | - |
| Vision Lithium Inc., Warrants | 840,909 | 20/4/2023 | 0.30 | 1 | 18,334 |
| Xmet Inc. | 2,000,000 | | | 10,000 | 1 |
| | | | | <u>3,097,732</u> | <u>2,624,786</u> |
| Energy (4.98%) | | | | | |
| CanAlaska Uranium Ltd. | 1,435,407 | | | 465,072 | 631,578 |
| CanAlaska Uranium Ltd., Warrants | 806,819 | 16/5/2024 | 0.60 | - | 65,709 |
| CanAlaska Uranium Ltd., Warrants | 78,125 | 18/7/2024 | 0.60 | - | 6,480 |
| | | | | <u>465,072</u> | <u>703,767</u> |
| TOTAL CANADIAN EQUITIES | | | | | |
| | | | | <u>10,742,464</u> | <u>10,656,602</u> |
| Total cost and fair value of investments (75.35%) | | | | 10,742,464 | 10,656,602 |
| Less: Transaction costs included in average cost (Note 6) | | | | (1,194) | - |
| Total investments | | | | <u>10,741,270</u> | <u>10,656,602</u> |
| Other Assets Less Liabilities (24.65%) | | | | - | 3,488,279 |
| Net assets attributable to holders of redeemable units | | | | <u>10,741,270</u> | <u>14,144,881</u> |

*These securities are subject to temporary trading restrictions.

PORTFOLIO CONCENTRATION (CDN \$)

| Portfolio by Category | % of Net Assets Attributable to Holders of Redeemable Units | |
|-------------------------------|--|----------------------|
| | December 31, 2021 | December 31, 2020 |
| Precious Metals | 51.81% | 44.07% |
| Base Metals | 18.56% | 35.81% |
| Energy | 4.98% | 1.32% |
| Other Assets Less Liabilities | 24.65% | 18.80% |
| Total | 100.00% | 100.00% |

See accompanying notes.

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

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at

| | December 31, 2021 (\$) | December 31, 2020 (\$) |
|---|---------------------------|---------------------------|
| Assets | | |
| Current Assets | | |
| Investments at fair value | 2,413,953 | 2,642,228 |
| Cash | 296,613 | 569,499 |
| Accrued dividend receivable | 11,376 | 11,393 |
| Refundable taxes receivable (Note 5) | 792,861 | 792,861 |
| Prepaid fees | - | 16,375 |
| Total Assets | 3,514,803 | 4,032,356 |
| Liabilities | | |
| Current Liabilities | | |
| Management fees payable | 536 | 401 |
| Other payables and accrued expenses | 58,176 | 49,215 |
| Payable on redemption of redeemable shares | - | 28,290 |
| Total Liabilities | 58,712 | 77,906 |
| Net Assets Attributable to Holders of Redeemable Shares (Note 3) | 3,456,091 | 3,954,450 |
| Net Assets Attributable to Holders of Redeemable Shares per Series | | |
| Series A-Regular | 2,299,596 | 2,472,916 |
| Series F | 1,156,495 | 1,481,534 |
| Series I | - | - |
| Net Assets Attributable to Holders of Redeemable Shares per Share | | |
| Series A-Regular | 12.71 | 11.48 |
| Series F | 12.81 | 11.44 |
| Series I | - | - |

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

"Ellen Sun"

Ellen Sun
Director

"Andrew A. McKay"

Andrew A. McKay
Director

The accompanying notes form an integral part of the financial statements

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

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the years ended

| | December 31, 2021 (\$) | December 31, 2020 (\$) |
|--|---------------------------|---------------------------|
| Income (Loss) | | |
| Dividends | 82,933 | 161,727 |
| Interest for distribution purposes | 9,672 | 771 |
| Securities lending income (Note 7) | 534 | 3,814 |
| Foreign exchange gain (loss) on cash | (107) | (619) |
| Net realized gain (loss) on sale of investments | 213,773 | (534,195) |
| Net change in unrealized appreciation (depreciation) on investments | 327,236 | (232,066) |
| Total Income (Loss) | 634,041 | (600,568) |
| Expenses (Note 4) | | |
| Operating fees | 82,688 | 72,851 |
| Management fees | 73,512 | 75,924 |
| Audit fees | 28,878 | 33,706 |
| Legal fees | 13,964 | 11,817 |
| Custodian fees | 8,255 | 9,357 |
| Independent Review Committee fees | 7,400 | 9,804 |
| Unitholder reporting costs | 4,473 | 4,652 |
| Transaction costs (Note 6) | 607 | 3,709 |
| Foreign taxes withheld (Note 5) | - | 1,595 |
| Interest charges | - | 2 |
| Total Expenses | 219,777 | 223,417 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations | 414,264 | (823,985) |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Series | | |
| Series A-Regular | 261,746 | (494,755) |
| Series F | 152,518 | (311,569) |
| Series I | - | (17,661) |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share | | |
| Series A-Regular | 1.28 | (2.15) |
| Series F | 1.33 | (2.23) |
| Series I | - | (3.53) |

The accompanying notes form an integral part of the financial statements

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

ANNUAL FINANCIAL STATEMENTS

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

For the years ended December 31

| | <u>2021 (\$)</u> | <u>2020 (\$)</u> | <u>2021 (\$)</u> | <u>2020 (\$)</u> |
|---|------------------|------------------|------------------|------------------|
| | Series A-Regular | | Series F | |
| Net Assets Attributable to Holders of Redeemable Shares, Beginning of Year | 2,472,916 | 3,302,823 | 1,481,534 | 2,162,141 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations | 261,746 | (494,755) | 152,518 | (311,569) |
| Redeemable Share Transactions (Note 3) | | | | |
| Issuance of shares | - | - | 225,761 | - |
| Redemption of shares | (435,066) | (335,152) | (703,318) | (369,038) |
| Net increase (decrease) from redeemable share transactions | (435,066) | (335,152) | (477,557) | (369,038) |
| Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares | (173,320) | (829,907) | (325,039) | (680,607) |
| Net Assets Attributable to Holders of Redeemable Shares, End of Year | 2,299,596 | 2,472,916 | 1,156,495 | 1,481,534 |
| | <u>2021 (\$)</u> | <u>2020 (\$)</u> | <u>2021 (\$)</u> | <u>2020 (\$)</u> |
| | Series I | | Total | |
| Net Assets Attributable to Holders of Redeemable Shares, Beginning of Year | - | 81,104 | 3,954,450 | 5,546,068 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations | - | (17,661) | 414,264 | (823,985) |
| Redeemable Share Transactions (Note 3) | | | | |
| Issuance of shares | - | - | 225,761 | - |
| Redemption of shares | - | (63,443) | (1,138,384) | (767,633) |
| Net increase (decrease) from redeemable share transactions | - | (63,443) | (912,623) | (767,633) |
| Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares | - | (81,104) | (498,359) | (1,591,618) |
| Net Assets Attributable to Holders of Redeemable Shares, End of Year | - | - | 3,456,091 | 3,954,450 |

The accompanying notes form an integral part of the financial statements

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

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW (CDN \$)

For the years ended

| | December 31, 2021 (\$) | December 31, 2020 (\$) |
|--|---------------------------|---------------------------|
| Cash Flows from in Operating Activities | | |
| Increase (Decrease) in net assets attributable to holders of redeemable shares from operations | 414,264 | (823,985) |
| Adjustments for: | | |
| Foreign exchange loss (gain) on cash | 107 | 619 |
| Net realized loss (gain) on sale of investments | (213,773) | 534,195 |
| Net change in unrealized depreciation (appreciation) on investments | (327,236) | 232,066 |
| Purchases of investments | (446,135) | (1,060,023) |
| Proceeds from sale and maturity of investments | 1,215,419 | 2,102,447 |
| Accrued dividend receivable | 17 | 9,315 |
| Refundable taxes receivable | - | (41,938) |
| Prepaid fees | 16,375 | (66) |
| Management fees payable | 135 | (1,530) |
| Other payables and accrued expenses | 8,961 | (81,064) |
| Net Cash from Operating Activities | 668,134 | 870,036 |
| Cash Flows used in Financing Activities | | |
| Issuance of shares | 225,761 | - |
| Redemption of shares | (1,166,674) | (749,570) |
| Net Cash used in Financing Activities | (940,913) | (749,570) |
| Increase (Decrease) in Cash during the Year | (272,779) | 120,466 |
| Foreign exchange gain (loss) on cash | (107) | (619) |
| Cash at Beginning of Year | 569,499 | 449,652 |
| Cash at End of Year | 296,613 | 569,499 |
| Supplemental disclosures on cash flows: | | |
| Dividends received | 82,950 | 171,042 |
| Foreign taxes paid | - | (1,595) |
| Interest received | 9,672 | 771 |
| Interest paid | - | (2) |

The accompanying notes form an integral part of the financial statements

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

ANNUAL FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31 2021

| | Number of Shares | Average Cost \$ | Fair Value \$ |
|--|---------------------|--------------------|------------------|
| CANADIAN EQUITIES (65.92%) | | | |
| Financials (21.65%) | | | |
| Alaris Equity Partners Income | 8,072 | 97,331 | 151,673 |
| Bank of Montreal | 800 | 103,541 | 108,952 |
| Bank of Nova Scotia | 1,557 | 117,383 | 139,429 |
| Brookfield Renewable Corp. | 1,498 | 36,227 | 69,732 |
| Canadian Imperial Bank of Commerce | 900 | 135,337 | 132,705 |
| The Toronto-Dominion Bank | 1,500 | 127,137 | 145,470 |
| | | <u>616,956</u> | <u>747,961</u> |
| Energy (12.00%) | | | |
| Enbridge Inc. | 2,660 | 150,363 | 131,431 |
| Parkland Fuel Corp. | 4,024 | 147,546 | 139,914 |
| Pembina Pipeline Corp. | 3,740 | 163,213 | 143,504 |
| | | <u>461,122</u> | <u>414,849</u> |
| Real Estate (9.72%) | | | |
| American Hotel Income Properties REIT LP | 29,631 | 194,748 | 111,709 |
| Colliers International Group Inc. | 561 | 60,967 | 105,681 |
| Crombie Real Estate Investment Trust | 6,367 | 88,948 | 118,554 |
| | | <u>344,663</u> | <u>335,944</u> |
| Consumer Discretionary (7.00%) | | | |
| Exco Technologies Ltd. | 13,632 | 92,794 | 140,546 |
| Park Lawn Corp. | 2,446 | 47,331 | 101,509 |
| | | <u>140,125</u> | <u>242,055</u> |
| Utilities (6.46%) | | | |
| AltaGas Ltd. | 4,082 | 72,984 | 111,479 |
| Canadian Utilities Ltd. | 3,044 | 95,044 | 111,684 |
| | | <u>168,028</u> | <u>223,163</u> |
| Communication Services (3.17%) | | | |
| BCE Inc. | 1,667 | 91,607 | 109,705 |
| | | <u>91,607</u> | <u>109,705</u> |
| Funds (3.04%) | | | |
| Brookfield Global Infrastructure Securities Income Fund | 15,846 | 89,203 | 104,901 |
| | | <u>89,203</u> | <u>104,901</u> |
| Industrials (2.88%) | | | |
| Thomson Reuters Corp. | 658 | 56,590 | 99,536 |
| | | <u>56,590</u> | <u>99,536</u> |
| TOTAL CANADIAN EQUITIES | | <u>1,968,294</u> | <u>2,278,114</u> |
| UNITED STATES EQUITIES (3.93%) | | | |
| Utilities (3.93%) | | | |
| Brookfield Renewable Partners LP | 2,998 | 67,416 | 135,839 |
| | | <u>67,416</u> | <u>135,839</u> |
| TOTAL UNITED STATES EQUITIES | | <u>67,416</u> | <u>135,839</u> |
| Total cost and fair value of investments (69.85%) | | 2,035,710 | 2,413,953 |
| Less: Transaction costs included in average cost (Note 6) | | (1,826) | - |
| Total investments | | <u>2,033,884</u> | <u>2,413,953</u> |
| Other Assets Less Liabilities (30.15%) | | 1,042,138 | 1,042,138 |
| Net assets attributable to holders of redeemable shares | | <u>3,076,022</u> | <u>3,456,091</u> |

See accompanying notes.

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

ANNUAL FINANCIAL STATEMENTS

PORTFOLIO CONCENTRATION (CDN \$)

| Portfolio by Category | % of Net Assets Attributable to Holders of Redeemable Units | |
|-------------------------------|--|----------------------|
| | December 31, 2021 | December 31, 2020 |
| Financials | 21.65% | 9.30% |
| Energy | 12.00% | 9.70% |
| Utilities | 10.39% | 12.12% |
| Real Estate | 9.72% | 15.46% |
| Consumer Discretionary | 7.00% | 8.80% |
| Communication Services | 3.17% | 2.29% |
| Mutual Funds | 3.04% | 2.35% |
| Industrials | 2.88% | 6.80% |
| Other Assets Less Liabilities | 30.15% | 33.18% |
| Total | 100.00% | 100.00% |

See accompanying notes.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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, Suite 4010, 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 information provided in these financial statements and notes thereto is at December 31, 2021 and December 31, 2020 and for the 12-month period ended December 31, 2021 and December 31, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards applicable to the preparation of annual financial statements as issued by the International Accounting Standards Board (IFRS).

These financial statements were authorized for issue by the Board of Directors of Marquest Mutual Funds Inc. on March 30, 2022.

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 Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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.

(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. Fair values as 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 Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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 Black-Scholes option 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 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. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. 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 net asset value per share. Net asset value per share for each series is calculated at the end of each day on which the Funds' Manager is open for business ("valuation day") by dividing the net asset value ("Transactional NAV") of each series by its outstanding shares. The net asset value of each series is computed by calculating the value of the series' proportionate share of the Fund's assets less the series' proportionate share of the Fund's common liabilities and less series-specific liabilities. Expenses directly attributable to a series are charged to that series, while common Fund expenses are allocated to each series in a reasonable manner as determined by the Manager. Other income and realized and unrealized gains and losses are allocated to each series of the Fund based on that series' pro rata share of total net asset value of that Fund. Amounts received on the issuance of shares and amounts paid on the redemption of shares are included on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares. Distributions on redeemable shares are presented as an expense within the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares.

(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. Distribution income is recorded as Dividends in the Statement of Comprehensive Income.

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 Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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 use by the Fund Company 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 charge by the Fund.

Series F is use by the Fund Company when there is a rollover of Limited Partnership units. There is an initial sales charge of up to 2%, which may be charged by the broker or dealer, no fees, or commission is charge by the Fund.

During the years ended December 31, 2021 and 2020, the following shares were issued (including transfers from other series) and redeemed (including transfers to other series):

| December 31, 2021 | Outstanding beginning of year | Shares issued* | Shares redeemed* | Outstanding end of year |
|--|-------------------------------|----------------|------------------|-------------------------|
| Explorer Series Fund | | | | |
| Series A-Rollover | 12,332,219 | 25,721,798 | (26,016,149) | 12,037,868 |
| Series A-Regular | 14,687 | 31,411 | (42,358) | 3,740 |
| Series F | 1,049,179 | 7,638,391 | (6,911,470) | 1,776,100 |
| Flex Dividend and Income Growth™ Series Fund | | | | |
| Series A-Regular | 215,454 | - | (34,475) | 180,979 |
| Series F | 129,501 | 17,644 | (56,857) | 90,288 |
| Series I | - | - | - | - |
| December 31, 2020 | Outstanding beginning of year | Shares issued* | Shares redeemed* | Outstanding end of year |
| Explorer Series Fund | | | | |
| Series A-Rollover | 17,274,341 | 33,115,898 | (38,058,020)) | 12,332,219 |
| Series A-Regular | 14,098 | 13,916 | (13,327) | 14,687 |
| Series F | 180,810 | 6,872,667 | (6,004,298) | 1,049,179 |
| Flex Dividend and Income Growth™ Series Fund | | | | |
| Series A-Regular | 245,971 | - | (30,517) | 215,454 |
| Series F | 163,397 | - | (33,896) | 129,501 |
| Series I | 5,000 | - | (5,000) | - |

* In the Explorer Series Fund 12,527 Series A-Rollover shares were transferred to Series F for the year ended December 31, 2021 (2020: 2,625)

4. EXPENSES AND RELATED PARTY TRANSACTIONS

The following summarizes the annual management fee for the Funds. 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 weekly basis.

| | 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 years ended December 31, 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 year ended December 31, 2021, \$9,040 (2020 – \$2,205) 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 Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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, 2021 (2020 – nil) and non-capital losses carry-forwards as of December 31, 2021 (2020 – nil).

(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 have incurred brokerage commissions, a portion of which may have been received by the Funds' investment advisers in the form of investment or research services. For the year ended December 31, 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 aggregate fair value of securities loaned and collateral held under securities lending transactions at December 31, 2021 and 2020:

| December 31, 2021 | Securities on loan | Collateral amount | Collateral as percentage of securities loaned |
|--|--------------------|-------------------|---|
| | \$ | \$ | % |
| Explorer Series Fund | 3,700 | 3,886 | 105% |
| Flex Dividend and Income Growth™ Series Fund | 212,903 | 223,548 | 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.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

7. SECURITIES LENDING TRANSACTIONS (continued)

| December 31, 2021 | Gross securities lending income \$ | Securities lending charge \$ % | Net securities lending income \$ | Withholding taxes \$ | Net income received \$ |
|--|--|--------------------------------------|--|----------------------------|------------------------------|
| Explorer Series Fund | 29 | 10 35 | 19 | - | 19 |
| Flex Dividend and Income Growth™ Series Fund | 827 | 290 35 | 537 | 3 | 534 |
| 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 |

8. FUND MERGERS

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

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

| Terminating fund | Merger date | Continuing fund | Series | 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 Quebec 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 Quebec 2020-I Super Flow Through LP, Class F | 5/14/2021 | Explorer Series Fund | F | 1,247,791 | 978,430 | 85.60 |
| Marquest Mining 2020-I Super Flow-Through LP, Class A | 10/15/2021 | Explorer Series Fund | A-Rollover | 2,087,358 | 1,948,434 | 69.24 |
| Marquest Mining 2020-I Super Flow-Through LP, Class F | 10/15/2021 | Explorer Series Fund | F | 1,173,999 | 1,073,321 | 74.54 |
| Marquest Mining Quebec 2020-II Super Flow Through LP, Class A | 10/15/2021 | Explorer Series Fund | A-Rollover | 15,119,632 | 14,113,350 | 63.62 |
| Marquest Mining Quebec 2020-II Super Flow Through LP, Class F | 10/15/2021 | Explorer Series Fund | F | 3,325,717 | 3,040,517 | 65.11 |
| Marquest Advantaged Mining 2021 Super Flow-Through LP, Class A | 11/5/2021 | Explorer Series Fund | A-Rollover | 2,741,284 | 2,585,629 | 58.88 |
| Marquest Advantaged Mining 2021 Super Flow-Through LP, Class F | 11/5/2021 | Explorer Series Fund | F | 1,878,232 | 1,734,447 | 62.46 |

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. Restrictions and specific requirements on capital for each fund Series are only applicable for minimum subscriptions. 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.

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Notes to Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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. Securities that are restricted or limited by law (including by investment letter, escrow provisions or other representation, undertaking or agreement) will be subject to temporary trading restrictions and cannot be sold until the applicable holding period expires. The fair value of those securities for the duration of the holding period shall be the reported market value of the same class of shares of that security which is not subject to a restriction based on reported quotations in common use less an appropriate discount.

The following tables present the Funds' financial instruments measured at fair value classified by the fair value hierarchy set out in IFRS 13, *Fair Value Measurements* as of December 31, 2021 and 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|--|-----------|---------|---------|------------|
| December 31, 2021 | \$ | \$ | \$ | \$ |
| Explorer Series Fund | 9,546,469 | 322,538 | 787,595 | 10,656,602 |
| Flex Dividend and Income Growth™ Series Fund | 2,413,953 | - | - | 2,413,953 |

| | Level 1 | Level 2 | Level 3 | Total |
|--|-----------|---------|-----------|-----------|
| December 31, 2020 | \$ | \$ | \$ | \$ |
| 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 year ended December 31, 2021, \$0 (December 31, 2020 – \$0) was transferred between Level 1 and Level 2 for the Explorer Series Fund and \$22,528 was transferred between Level 1 and Level 3 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 summarizes the changes in Level 3 securities for the years ended December 31, 2021 and 2020:

| Explorer Series Fund | December 31, 2021 \$ | December 31, 2020 \$ |
|---|-------------------------|-------------------------|
| Beginning of period | 1,467,475 | 279,531 |
| Purchases | 133,551 | 405,691 |
| Sales | (507,150) | (263,688) |
| Transfers into Level 3 | 22,528 | 1,198,890 |
| Transfers out of Level 3 | - | (31,957) |
| Net realized gain (loss) on sale of investments | 22,864 | (216,719) |
| Net change in unrealized appreciation (depreciation) in value | (351,673) | 95,727 |
| End of period | 787,595 | 1,467,475 |

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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 key number of valuation techniques and unobservable inputs, which may include financial analysis of the company's financial statements, financial disclosures, non-listed transaction prices, analysis of underlying commodity or sector prices and overall prevailing market and economic conditions.

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 December 31, 2021 | Change in Valuation |
| | | | \$ | \$ |
| Equities | Market Information | | 22,528 | n/a |
| Warrants | Black-Sholes Model | Liquidity Discount and Historical Volatility | 765,067 | 58,379 |
| | | | 787,595 | |

| 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 | Black-Sholes Model | Liquidity Discount and Historical Volatility | 1,407,475 | 39,211 |
| | | | 1,467,475 | |

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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 |
|---|-----------------|--|
| December 31, 2021 | | |
| American Hotel Income Properties REIT LP | 111,709 | 3.23 |
| Colliers International Group Inc. | 105,681 | 3.06 |
| Crombie Real Estate Investment Trust | 118,554 | 3.43 |
| Brookfield Renewable Partners LP | 135,839 | 3.93 |
| Brookfield Global Infrastructure Securities Income Fund | 104,901 | 3.04 |
| | 576,684 | |

| | Carrying Amount | Carrying amount as a % of the underlying fund's Net Assets |
|---|-----------------|--|
| December 31, 2020 | | |
| 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 COVID-19 global pandemic is likely to have an ongoing effect on the financial markets where the Fund operates. The Fund management performs routine risk assessment procedures and robust controls over its accounts, balances, and transactions. As a result of the uncertain implications of COVID-19 factors used for the sensitivity analysis in the relevant risk sections below, where applicable, were adjusted to reflect a more volatile risk variable than usual as at December 31, 2021.

The Funds' investment activities expose them to a variety of financial risks. The Schedule of Investment Portfolios presents the securities held by the Funds as at December 31, 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 Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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 December 31, 2021 and 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.

| December 31, 2021 | 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 | 16,175 | 0.5 | 809 |

| 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 December 31, 2021 and 2020, had the prices of the securities raised or lowered by 10%, with all other variables held constant, net assets attributable to holders of redeemable shares would have increased or decreased respectively as follows:

| December 31, 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 | 10,656,602 | 75.3 | 1,065,660 |
| Flex Dividend and Income Growth™ Series Fund | 2,413,953 | 69.9 | 241,395 |

| 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 Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

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 December 31, 2021 and 2020 is shown in 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 unitholder 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, as described above. A comparison of the net assets per unit in accordance to 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 | | December 31, 2021 | | |
|---|----|-------------------|------------------|--------------|
| | | Series A/Rollover | Series A/Regular | Series F |
| Transactional Net Asset Value | \$ | 11,720,579 | \$ 4,114 | \$ 1,777,881 |
| IFRS Net Assets | \$ | 12,278,120 | \$ 4,310 | \$ 1,862,451 |
| Transactional Net Asset Value per Share | \$ | 0.97 | \$ 1.10 | \$ 1.00 |
| IFRS Net Assets per Share | \$ | 1.02 | \$ 1.15 | \$ 1.05 |

| 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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