



**MARQUEST MUTUAL
FUNDS INC.**

ANNUAL REPORT

Year ended December 31, 2020

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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, 2020 and its financial performance and its cash flow for the year 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 statement of financial position as at December 31, 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to holders of redeemable shares for the year then ended;
- the statement of cash flow for the year 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.

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



Other matter

The financial statements of each Fund for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 30, 2020.

Other information

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

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 31, 2021

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION (CDN \$)

As at

	December 31, 2020 (\$)	December 31, 2019 (\$)
Assets		
Current Assets		
Investments at fair value	9,704,997	5,164,831
Cash	1,395,614	941,428
Receivable for investments sold	-	54,453
Refundable taxes receivable (Note 5)	980,732	891,889
Prepaid fees	16,376	16,309
Total Assets	12,097,719	7,068,910
Liabilities		
Current Liabilities		
Management fees payable	1,377	2,980
Other payables and accrued expenses	80,182	25,387
Payable on redemption of redeemable shares	62,947	4,726
Total Liabilities	144,506	33,093
Net Assets Attributable to Holders of Redeemable Shares (Note 3)	11,953,213	7,035,817
Net Assets Attributable to Holders of Redeemable Shares per Series		
Series A-Rollover	10,990,868	6,957,517
Series A-Regular	14,302	6,050
Series F	948,043	72,250
Net Assets Attributable to Holders of Redeemable Shares per Share (Note 3)		
Series A-Rollover	0.89	0.40
Series A-Regular	0.97	0.43
Series F	0.90	0.40

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

"Gerry L. Brockelsby"

Gerry L. Brockelsby
Director

"Andrew A. McKay"

Andrew A. McKay
Director

The accompanying notes form an integral part of the financial statements

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the years ended

	December 31, 2020 (\$)	December 31, 2019 (\$)
Income		
Dividends	-	6,043
Interest for distribution purposes	2,194	21,009
Securities lending income (Note 7)	3,091	129
Foreign exchange gain (loss) on cash	-	(2)
Net realized gain (loss) on sale of investments	3,512,914	(367,611)
Net change in unrealized appreciation (depreciation) on investments	3,875,166	58,834
Total Income (Loss)	7,393,365	(281,598)
Expenses (Note 4)		
Management fees	188,905	182,487
Transaction costs (Note 6)	102,097	99,294
Interest charges	67	23
Operating fees	184,537	204,292
Audit fees	50,503	45,304
Custodian fees	35,271	35,196
Legal fees	17,501	5,043
Independent Review Committee fees	21,288	13,889
Unitholder reporting costs	8,844	8,593
Total Expenses	609,013	594,121
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	6,784,352	(875,719)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Series		
Series A-Rollover	6,536,056	(851,599)
Series A-Regular	2,580	(337)
Series F	245,716	(23,783)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share		
Series A-Rollover	0.45	(0.04)
Series A-Regular	0.34	(0.02)
Series F	0.52	(0.13)

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

	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
	Series A-Rollover		Series A-Regular	
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Year	6,957,517	9,352,613	6,050	8,495
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	6,536,056	(851,599)	2,580	(337)
Redeemable Share Transactions (Note 3)				
Issuance of shares	20,045,244	14,317,481	12,164	-
Redemption of shares	(22,547,949)	(15,860,978)	(6,492)	(2,108)
Net increase (decrease) from redeemable share transactions	(2,502,705)	(1,543,497)	5,672	(2,108)
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	4,033,351	(2,395,096)	8,252	(2,445)
Net Assets Attributable to Holders of Redeemable Shares, End of Year	10,990,868	6,957,517	14,302	6,050
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
	Series F		Total	
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Year	72,250	783,485	7,035,817	10,144,593
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	245,716	(23,783)	6,784,352	(875,719)
Redeemable Share Transactions (Note 3)				
Issuance of shares	4,515,393	1,283,380	24,572,801	15,600,861
Redemption of shares	(3,885,316)	(1,970,832)	(26,439,757)	(17,833,918)
Net increase (decrease) from redeemable share transactions	630,077	(687,452)	(1,866,956)	(2,233,057)
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	875,793	(711,235)	4,917,396	(3,108,776)
Net Assets Attributable to Holders of Redeemable Shares, End of Year	948,043	72,250	11,953,213	7,035,817

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, 2020 (\$)	December 31, 2019 (\$)
Cash Flows from Operating Activities		
Increase (Decrease) in net assets attributable to holders of redeemable shares from operations	6,784,352	(875,719)
Adjustments for:		
Foreign exchange loss (gain) on cash	-	2
Net realized loss (gain) on sale of investments	(3,512,914)	367,611
Net change in unrealized depreciation (appreciation) on investments	(3,875,166)	(58,834)
Purchases of investments	(1,382,503)	(3,021,553)
Proceeds from sale and maturity of investments	13,015,494	13,181,537
Accrued dividend receivable	-	-
Other receivable	-	-
Refundable taxes receivable	(88,843)	214,709
Prepaid fees	(67)	(16)
Management fees payable	(1,603)	(487)
Other payables and accrued expenses	54,795	2,514
Net Cash from Operating Activities	10,993,545	9,809,764
Cash Flows used in Financing Activities		
Issuance of shares	15,842,177	7,175,711
Redemption of shares	(26,381,536)	(17,919,575)
Net Cash used in Financing Activities	(10,539,359)	(10,743,864)
Increase (Decrease) in Cash during the Year	454,186	(934,100)
Foreign exchange gain (loss) on cash	-	(2)
Cash at Beginning of Year	941,428	1,875,530
Cash (Bank Overdraft) at End of Year	1,395,614	941,428
Supplementary disclosures on cash flow from operating activities:		
Dividends received	-	6,043
Interest received	2,194	21,009
Interest paid	(67)	(23)

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 2020

	Number of Shares, Units or Warrants	Expiry Date	Exercise Price \$	Average Cost \$	Fair Value \$
CANADIAN EQUITIES (81.19%)					
Precious Metals (44.07%)					
American Creek Resources Ltd., Warrants	2,555,556	09/07/2021	0.12	55,556	354,712
Avidian Gold Corp.	1,825,000			438,000	410,625
Avidian Gold Corp., Warrants	3,100,000	20/12/2021	0.15	279,000	263,810
Black Tusk Resources Inc.	1,166,667			75,833	70,000
Black Tusk Resources Inc., Warrants	441,177	09/07/2021	0.25	-	-
Black Tusk Resources Inc., Warrants	555,556	20/09/2021	0.20	-	1
Braveheart Resources Inc.	2,703,647			229,810	378,511
Braveheart Resources Inc., Warrants	166,667	18/06/2021	0.21	-	67
BTU Metals Corp., Warrants	750,000	24/06/2021	0.18	52,175	9,001
Chibougamau Independent Mines Inc.	215,500			20,473	35,019
Defense Metals Corp.	375,000			75,000	93,750
Defense Metals Corp., Warrants	375,000	06/12/2022	0.30	-	6,638
Emgold Mining Corp.	1,996,028			209,583	159,682
Engold Mines Ltd.	3,755,882			206,573	131,456
Excellon Resources Inc., Warrants	50,000	26/08/2021	1.40	5,003	11,750
GGX Gold Corp., Warrants	250,000	29/01/2021	0.35	-	-
Goldstar Minerals Inc.	250,000			45,000	41,250
Group Ten Metals Inc., Warrants	441,176	21/11/2021	0.25	30,882	74,294
Imperial Mining Group Ltd.	3,035,645			168,007	333,921
Juggernaut Exploration Ltd., Warrants	75,000	20/04/2021	5.00	-	-
Juggernaut Exploration Ltd., Warrants	17,857	20/06/2021	5.60	-	-
Laurion Mineral Exploration Inc.	6,389			1,406	1,278
Laurion Mineral Exploration Inc., Warrants	2,333,334	06/09/2021	0.15	11,669	119,467
New Age Metals Inc., Warrants	458,333	04/09/2021	0.10	-	1,925
Niobay Metals Inc., Warrants	454,546	20/12/2021	0.55	50,001	31,318
Northern Shield Resources Inc.	4,883,834			293,030	415,126
Northern Superior Resources Inc.	100,000			80,830	152,000
Opus One Gold Corp.	4,557,000			410,130	250,635
Pershimex Resources Corp.	7,000,000			385,000	332,500
Renforth Resources Inc.	5,166,667			335,834	284,167
Renforth Resources Inc., Warrants	6,666,667	30/12/2021	0.10	7	1,340
Sage Gold Inc.	2,272,727			-	-
Secova Metals Corp.	4,500,000			-	-
Sphinx Resources Ltd.	5,252,769			178,339	118,187
Stelmine Canada Ltd., Warrants	83,333	01/02/2021	0.20	-	-
Trifecta Gold Ltd.	1			-	-
Vanadiumcorp Resource Inc.	7,576,893			330,001	909,227
Yorbeau Resources Inc.	2,300,000			115,000	115,000
Zonte Metals Inc.	841,036			190,917	159,797
				4,273,059	5,266,454
Base Metals (35.82%)					
Argex Titanium Inc.	10,000,000			-	-
Auxico Resources Canada Inc.	709,500			139,231	383,130
Dore Copper Mining Corp.	748,985			449,391	748,985
Focus Graphite Inc., Warrants	1,333,300	24/03/2021	0.10	-	1
Fokus Mining Corporation, Warrants	100,000	06/01/2021	1.00	-	-
Fokus Mining Corporation, Warrants	750,000	27/04/2021	1.00	-	1
Gaia Metals Corp., Warrants	250,000	27/12/2021	1.00	-	-
Murchison Minerals Ltd.	886,032			69,228	84,173
PJX Resources Inc.	1,483,334			207,667	233,625
Purepoint Uranium Group Inc.	3,039,290			139,414	258,340
Purepoint Uranium Group Inc., Warrants	6,153,846	18/12/2021	0.08	6	90,461

See accompanying notes.

MARQUEST MUTUAL FUNDS INC. - EXPLORER SERIES FUND

ANNUAL FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT PORTFOLIO (CDN \$)

As at December 31 2020

	Number of Shares, Units or Warrants	Expiry Date	Exercise Price \$	Average Cost \$	Fair Value \$
CANADIAN EQUITIES (CONT'D) (81.19%)					
Base Metals (Cont.) (35.82%)					
QC Copper and Gold Inc.	1,757,143			210,857	553,500
QC Copper and Gold Inc., Warrants	1,428,572	20/12/2021	0.10	28,571	297,000
Saville Resources Inc.	2,015,000			100,750	90,675
Seahawk Gold Corp.	1,397,750			382,636	656,943
Stratabound Minerals Corp.	203,481			35,053	63,079
Stria Lithium Inc.	3,000,000			22,500	60,000
St-Georges Eco-Mining Corp.	3,300,000			231,000	330,000
The Magpie Mines Inc.	3,771,428			850,000	-
Typhoon Exploration Inc.	2,546,154			152,769	203,692
Vision Lithium Inc.	6,500,000			195,000	227,500
Xmet Inc.	2,000,000			10,000	2
				3,224,073	4,281,107
Energy (1.32%)					
CanAlaska Uranium Ltd., Warrants	78,125	18/06/2024	0.60	-	8,203
CanAlaska Uranium Ltd., Warrants	526,316	30/12/2021	0.40	-	67,421
CanAlaska Uranium Ltd., Warrants	806,819	16/05/2024	0.60	-	81,812
				-	157,436
TOTAL CANADIAN EQUITIES				7,497,132	9,704,997
Total cost and fair value of investments (81.19%)				7,497,132	9,704,997
Less: Transaction costs included in average cost (Note 6)				(1,578)	-
Total investments				7,495,554	9,704,997
Other Assets Less Liabilities (18.81%)				2,248,216	2,248,216
Net assets attributable to holders of redeemable units				9,743,770	11,953,213

PORTFOLIO CONCENTRATION (CDN \$)

Portfolio by Category	% of Net Assets Attributable to Holders of Redeemable Units	
	December 31, 2020	December 31, 2019
Precious Metals	44.07%	56.09%
Base Metals	35.82%	16.29%
Energy	1.32%	1.03%
Other Assets Less Liabilities	18.81%	26.59%
Total	100.02%	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, 2020 (\$)	December 31, 2019 (\$)
Assets		
Current Assets		
Investments at fair value	2,642,228	4,236,655
Cash	569,499	449,652
Accrued dividend receivable	11,393	20,708
Receivable for investments sold	-	214,258
Refundable taxes receivable (Note 5)	792,861	750,923
Prepaid fees	16,375	16,309
Total Assets	4,032,356	5,688,505
Liabilities		
Current Liabilities		
Management fees payable	401	1,931
Other payables and accrued expenses	49,215	130,279
Payable on redemption of redeemable shares	28,290	10,227
Total Liabilities	77,906	142,437
Net Assets Attributable to Holders of Redeemable Shares (Note 3)	3,954,450	5,546,068
Net Assets Attributable to Holders of Redeemable Shares per Series		
Series A-Regular	2,472,916	3,302,823
Series F	1,481,534	2,162,141
Series I	-	81,104
Net Assets Attributable to Holders of Redeemable Shares per Share		
Series A-Regular	11.48	13.43
Series F	11.44	13.23
Series I	-	16.22

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

"Gerry L. Brockelsby"

Gerry L. Brockelsby
Director

"Andrew A. McKay"

Andrew A. McKay
Director

The accompanying notes form an integral part of the financial statements

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

ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME (CDN \$)

For the years ended

	December 31, 2020 (\$)	December 31, 2019 (\$)
Income (Loss)		
Dividends	161,727	230,861
Interest for distribution purposes	771	9,280
Securities lending income (Note 7)	3,814	24,917
Foreign exchange gain (loss) on cash	(619)	(11,937)
Net realized gain (loss) on sale of investments	(534,195)	116,971
Net change in unrealized appreciation (depreciation) on investments	(232,066)	568,462
Total Income (Loss)	(600,568)	938,554
Expenses (Note 4)		
Management fees	75,924	105,307
Foreign taxes withheld (Note 5)	1,595	295
Transaction costs (Note 6)	3,709	27,183
Interest charges	2	11
Operating fees	72,851	63,246
Audit fees	33,706	21,594
Custodian fees	9,357	10,294
Legal fees	11,817	3,650
Independent Review Committee fees	9,804	10,691
Unitholder reporting costs	4,652	5,210
Total Expenses	223,417	247,481
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(823,985)	691,073
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Series		
Series A-Regular	(494,755)	403,968
Series F	(311,569)	277,499
Series I	(17,661)	9,606
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share		
Series A-Regular	(2.15)	1.52
Series F	(2.23)	1.57
Series I	(3.53)	1.92

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>2020 (\$)</u>	<u>2019 (\$)</u>	<u>2020 (\$)</u>	<u>2019 (\$)</u>
	Series A-Regular		Series F	
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Year	3,302,823	3,419,223	2,162,141	2,110,579
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(494,755)	403,968	(311,569)	277,499
Redeemable Share Transactions (Note 3)				
Issuance of shares	-	-	-	88,653
Redemption of shares	(335,152)	(520,368)	(369,038)	(314,590)
Net increase (decrease) from redeemable share transactions	(335,152)	(520,368)	(369,038)	(225,937)
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	(829,907)	(116,400)	(680,607)	51,562
Net Assets Attributable to Holders of Redeemable Shares, End of Year	2,472,916	3,302,823	1,481,534	2,162,141
	<u>2020 (\$)</u>	<u>2019 (\$)</u>	<u>2020 (\$)</u>	<u>2019 (\$)</u>
	Series I		Total	
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Year	81,104	71,498	5,546,068	5,601,300
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares from Operations	(17,661)	9,606	(823,985)	691,073
Redeemable Share Transactions (Note 3)				
Issuance of shares	-	-	-	88,653
Redemption of shares	(63,443)	-	(767,633)	(834,958)
Net increase (decrease) from redeemable share transactions	(63,443)	-	(767,633)	(746,305)
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	(81,104)	9,606	(1,591,618)	(55,232)
Net Assets Attributable to Holders of Redeemable Shares, End of Year	-	81,104	3,954,450	5,546,068

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, 2020 (\$)	December 31, 2019 (\$)
Cash Flows from in Operating Activities		
Increase (Decrease) in net assets attributable to holders of redeemable shares from operations	(823,985)	691,073
Adjustments for:		
Foreign exchange loss (gain) on cash	619	11,937
Net realized loss (gain) on sale of investments	534,195	(116,971)
Net change in unrealized depreciation (appreciation) on investments	232,066	(568,462)
Purchases of investments	(1,060,023)	(8,331,081)
Proceeds from sale and maturity of investments	2,102,447	8,335,531
Accrued dividend receivable	9,315	771
Refundable taxes receivable	(41,938)	180,772
Prepaid fees	(66)	(16)
Payable to other corporate series	-	-
Management fees payable	(1,530)	285
Other payables and accrued expenses	(81,064)	(577)
Net Cash from Operating Activities	870,036	203,262
Cash Flows used in Financing Activities		
Issuance of shares	-	88,653
Redemption of shares	(749,570)	(824,731)
Net Cash used in Financing Activities	(749,570)	(736,078)
Increase (Decrease) in Cash during the Year	120,466	(532,816)
Foreign exchange gain (loss) on cash	(619)	(11,937)
Cash at Beginning of Year	449,652	994,405
Cash at End of Year	569,499	449,652
Supplemental disclosures on cash flows:		
Dividends received	171,042	231,632
Foreign taxes paid	(1,595)	(295)
Interest received	771	9,280
Interest paid	(2)	(11)

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 2020

	Number of Shares	Average Cost \$	Fair Value \$
CANADIAN EQUITIES (60.06%)			
Real Estate (12.87%)			
American Hotel Income Properties REIT LP	29,631	194,751	92,449
Colliers International Group Inc.	1,361	147,907	154,174
Crombie Real Estate Investment Trust	11,367	164,868	163,116
H&R Real Estate Investment Trust	7,430	172,020	98,745
		679,546	508,484
Energy (9.70%)			
Enbridge Inc.	2,660	150,363	108,289
Parkland Fuel Corp.	4,024	147,546	162,529
Pembina Pipeline Corp.	3,740	163,213	112,574
		461,122	383,392
Financials (9.30%)			
Alaris Equity Partners Income	8,072	99,608	121,968
Bank of Nova Scotia	1,957	147,539	134,642
Brookfield Renewable Corp.	1,498	36,227	111,204
		283,374	367,814
Consumer Discretionary (8.80%)			
Exco Technologies Ltd.	13,632	92,794	125,823
Park Lawn Corp.	7,946	153,758	222,011
		246,552	347,834
Utilities (7.95%)			
AltaGas Ltd.	10,082	180,260	188,735
Canadian Utilities Ltd.	4,044	126,267	125,728
		306,527	314,463
Industrials (6.80%)			
Thomson Reuters Corp.	1,358	116,793	141,476
Transcontinental Inc., Class A	6,213	91,419	127,429
		208,212	268,905
Funds (2.35%)			
Brookfield Global Infrastructure Securities Income Fund	15,846	96,535	93,491
		96,535	93,491
Communication Services (2.29%)			
BCE Inc.	1,667	91,607	90,735
		91,607	90,735
TOTAL CANADIAN EQUITIES		2,373,475	2,375,118
UNITED STATES EQUITIES (6.76%)			
Utilities (4.17%)			
Brookfield Renewable Partners LP	2,998	71,094	164,713
		71,094	164,713
Real Estate (2.59%)			
Brookfield Property Partners LP	5,562	147,491	102,397
		147,491	102,397
TOTAL UNITED STATES EQUITIES		218,585	267,110
Total cost and fair value of investments (66.82%)		2,592,060	2,642,228
Less: Transaction costs included in average cost (Note 6)		(2,665)	-
Total investments		2,589,395	2,642,228
Other Assets Less Liabilities (33.18%)		1,312,222	1,312,222
Net assets attributable to holders of redeemable shares		3,901,617	3,954,450

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	
	December 31, 2020	December 31, 2019
Real Estate	15.46%	15.28%
Utilities	12.12%	10.80%
Energy	9.70%	15.57%
Financials	9.30%	8.36%
Consumer Discretionary	8.80%	9.12%
Industrials	6.80%	7.15%
Mutual Funds	2.35%	2.50%
Communication Services	2.29%	2.59%
Consumer Staples	0.00%	5.02%
Other Assets Less Liabilities	33.18%	23.61%
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, 2020 and 2019

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, 27th Floor, Toronto, Ontario, M5J 2S1. The Funds invest in Canadian and U.S. securities, Canadian and U.S. fixed income securities, Canadian short-term debt securities and derivatives. Most of the Funds' equity investments are listed and traded on stock exchange markets in Canada and the U.S., although the Funds may also invest in private equity securities.

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, 2020 and December 31, 2019 and for the 12-month periods ended December 31, 2020 and December 31, 2019.

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 31, 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 Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2020 and 2019

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, 2020 and 2019

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.

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, 2020 and 2019

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 have 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, 2020 and 2019, the following shares were issued (including transfers from other series) and redeemed (including transfers to other series):

December 31, 2020	Outstanding beginning of year	Shares issued*	Shares redeemed*	Outstanding end of period
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)	-
December 31, 2019				
Explorer Series Fund				
Series A-Rollover	21,657,036	34,766,799	(39,149,494)	17,274,341
Series A-Regular	18,269	-	(4,171)	14,098
Series F	1,837,483	3,256,819	(4,913,492)	180,810
Flex Dividend and Income Growth™ Series Fund				
Series A-Regular	285,604	-	(39,633)	245,971
Series F	180,928	6,743	(24,274)	163,397
Series I	5,000	-	-	5,000

* In the Explorer Series Fund 2,624.67 Series A-Rollover shares were transferred to Series F for the year ended December 31, 2020 (2019: 20,216.23)

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 years ended December 31, 2020 and 2019.

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, 2020, \$2,205 (2019 – \$18,229) 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, 2020 and 2019

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 (2019 – nil) and non-capital losses carry-forwards as of December 31, 2020 (2019 – 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, 2020, the total soft dollar benefits received for the Explorer Series Fund and Flex Dividend and Income Growth™ Series Fund were \$0 and \$0 respectively (2019 – \$11,928 and \$3,823 respectively).

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

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2020 and 2019

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, 2020 and 2019 is as follows:

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%

December 31, 2019	Securities on loan \$	Collateral amount \$	Collateral as percentage of securities loaned %
Flex Dividend and Income Growth™ Series Fund	769,124	807,583	105%

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

December 31, 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

December 31, 2019	Gross securities lending income \$	Securities lending charge \$ %	Net securities lending income \$	Withholding taxes \$	Net income received \$
Explorer Series Fund	198	69 35	129	-	129
Flex Dividend and Income Growth™ Series Fund	38,391	13,437 35	24,954	37	24,917

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2020 and 2019

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 2018-I Super Flow-Through LP	04/12/2019	Explorer Series Fund	A-Rollover	1,009,070	2,319,702	125.80
Marquest Mining Québec 2018-I Super Flow-Through LP	04/12/2019	Explorer Series Fund	A-Rollover	4,454,980	10,241,334	137.49
Marquest Mining 2018-II Super Flow-Through LP, Class A	11/1/2019	Explorer Series Fund	A-Rollover	1,617,532	4,057,016	188.70
Marquest Mining 2018-II Super Flow-Through LP, Class F	11/1/2019	Explorer Series Fund	F	114,570	290,861	203.40
Marquest Mining Québec 2018-II Super Flow-Through LP, Class A	11/1/2019	Explorer Series Fund	A-Rollover	7,235,900	18,148,733	129.86
Marquest Mining Québec 2018-II Super Flow-Through LP, Class F	11/1/2019	Explorer Series Fund	F	1,156,275	2,935,453	139.78
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

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 Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2020 and 2019

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. Warrants that do not have a quoted close price are carried at the difference between the exercise price and the quoted close price of the underlying security if the exercise price is lower than the quoted close price; if no quoted close price is available, then the management will determine the point within the bid-ask spread most representative of the fair value.
- IV. Securities that are restricted or limited by law (including by investment letter, escrow provisions or other representation, undertaking or agreement) will be subject to temporary trading restrictions and cannot be sold until the applicable holding period expires. The fair value of those securities for the duration of the holding period shall be the reported market value of the same class of shares of that security which is not subject to a restriction based on reported quotations in common use less an appropriate discount.

The following tables present the Funds' financial instruments measured at fair value classified by the fair value hierarchy set out in IFRS 13, *Fair Value Measurements* as of December 31, 2020 and 2019:

	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

	Level 1	Level 2	Level 3	Total
December 31, 2019	\$	\$	\$	\$
Explorer Series Fund	4,885,300	-	279,531	5,164,831
Flex Dividend and Income Growth™ Series Fund	4,236,655	-	-	4,236,655

During the year ended December 31, 2020, \$0 (December 31, 2019 – \$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 summarizes the changes in Level 3 securities for the years ended December 31, 2019 and 2020:

Explorer Series Fund	December 31, 2020 \$	December 31, 2019 \$
Beginning of period	279,531	151,376
Purchases	405,691	25
Sales	(263,688)	-
Transfers into Level 3	1,198,890	232,509
Transfers out of Level 3	(31,957)	-
Net realized gain (loss) on sale of investments	(216,719)	(127,672)
Net change in unrealized appreciation (depreciation) in value	95,727	23,293
End of period	1,467,475	279,531

Marquest Mutual Funds Inc.

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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, 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	

(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, 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	

	Carrying Amount	Carrying amount as a % of the underlying fund's Net Assets
December 31, 2019		
American Hotel Income Properties REIT LP	208,602	3.76
Crombie Real Estate Investment Trust	181,190	3.27
H&R Real Estate Investment Trust	156,773	2.83
True North Commercial Real Estate Investment Trust	168,727	3.04
Brookfield Renewable Partners LP	241,140	4.35
Brookfield Property Partners LP	131,986	2.38
	1,088,418	

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian dollars)

For the years ended December 31, 2020 and 2019

10. FINANCIAL INSTRUMENTS (continued)

(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, 2020.

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, 2020, 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.

(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, 2020 and 2019. 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, 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

December 31, 2019	Currency	Fair value \$	% of Net assets attributable to holders of redeemable units %	Potential impact on net assets \$
Explorer Series Fund	United States dollars	35	-	2
Flex Dividend and Income Growth™ Series Fund	United States dollars	20,878	0.4	1,044

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.

Marquest Mutual Funds Inc.

Notes to Financial Statements (expressed in Canadian dollars)

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10. FINANCIAL INSTRUMENTS (continued)

(c) Risk Management and Disclosures (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate 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, 2020 and 2019, 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:

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
December 31, 2019	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	5,164,831	73.4	516,483
Flex Dividend and Income Growth™ Series Fund	4,236,655	76.4	423,666

(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, 2020 and 2019 is shown in Fund's Schedule of Investment Portfolio.

Marquest Mutual Funds Inc.

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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 table below.

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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