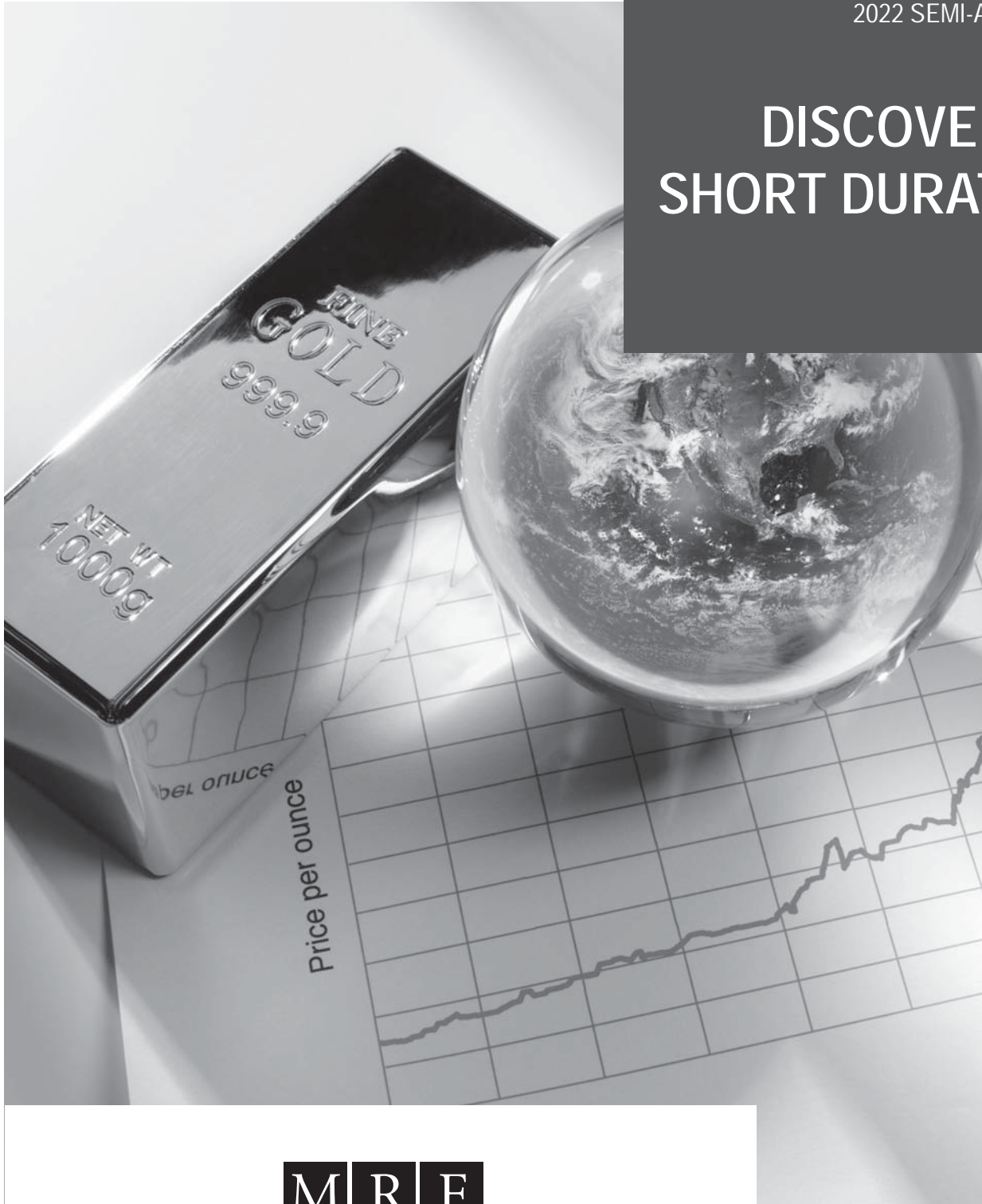


2022 SEMI-ANNUAL REPORT

# DISCOVERY 2021 SHORT DURATION LP



**M | R | F**

MIDDLEFIELD RESOURCE FUNDS



## MIDDLEFIELD CORPORATE PROFILE

The Middlefield Group was established in 1979 and is a Specialty Investment Manager which creates investment products designed to balance risk and return to meet the demanding requirements of Financial Advisors and their clients. These financial products include Exchange-Traded Funds, Mutual Funds, Private and Public Resource Funds, Split Share Corporations, Venture Capital Assets, TSX Publicly Traded Funds and Real Estate Investment Funds and Partnerships.

Middlefield's investment team comprises portfolio managers, analysts and traders. While all of our investment products are designed and managed by Middlefield professionals, some involve strategic partnerships with other "best-in-class" firms that bring unique value to our product offerings. In 2014, we entered into an exclusive arrangement with SSR, LLC, based in Stamford, Connecticut. They provide specialized research into sectors of the economy such as Healthcare and Innovation Technology. SSR is an independent investment firm whose analysts have been highly ranked and are recognized as leaders in their respective fields. Their fundamental company level research is often non-consensus and provides guidance on overall portfolio construction and security selection.

Looking ahead, Middlefield remains committed to managing and developing new and unique investment products to assist Financial Advisors in helping clients achieve their investment objectives.

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2	2022 Review and Outlook
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11	Interim Financial Report
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### A NOTE ON FORWARD LOOKING STATEMENTS

This document may contain forward looking statements, including statements regarding: the Fund, its strategies, goals and objectives; prospects; future performance or condition; possible future actions to be taken by the Fund; and the performance of investments, securities, issuers or industries in which the Fund may from time to time invest. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future results, events, circumstances, expectations and performance, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and other similar wording. Forward looking statements are not historical facts, but reflect the Fund's current beliefs as of the date of this document regarding future results, events, circumstances, expectations or performance and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors. Forward looking statements are not guarantees of future performance, and actual results, events, circumstances, expectations or performance could differ materially from those expressed or implied in any forward looking statements contained in this document. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward looking statements include, but are not limited to: general economic, political, market and business factors and conditions; commodity price fluctuations; interest and foreign exchange rate fluctuations; global equity and capital markets; the financial condition of each issuer in which the Fund invests; the effects of competition in the industries or geographic areas in which the Fund may invest; statutory and regulatory developments; unexpected judicial or regulatory proceedings; and catastrophic events. Readers are cautioned that the foregoing list of factors is not exhaustive and to avoid placing undue reliance on forward looking statements due to the inherent uncertainty of such statements. The Fund does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements, whether as a result of new information, future developments, or otherwise.



## 2022 SEMI-ANNUAL COMMENTARY

Russia's invasion of Ukraine marked a pivot point for global trade relationships. Supply chains are being realigned in real time to ensure availability, security, and sustainability of natural resource supplies. By isolating Russia from the global economic system through unprecedented sanctions, countries are being forced to sacrifice lower costs of supply for higher security. Energy-related commodities have been key beneficiaries of this new paradigm with oil and natural gas prices increasing 46.5% and 48.3%, respectively, in the first half of 2022 (H1). Food-related commodities such as corn, soybeans and wheat have also risen by mid-teen percentages. Soaring commodity prices have increased the risk of global food shortages and an energy crisis, particularly in Europe. These factors have also raised the possibility of the global economy slipping into recession in the near-to-medium term.

Despite recessionary concerns, we believe that the oil complex has entered a structural bull market. Although demand may cool amidst a slowdown in economic activity, it remains relatively inelastic and represents less than 7.5% of expenditures on average. On the production side, it has become clear that higher oil prices are not causing the same supply response as in years past. Oil producers have become much more conservative with capital allocation decisions, electing to direct a much larger portion of free cash flow to shareholder returns via dividends and share buybacks rather than growth capex. As such, we are witnessing one of the strongest fundamental setups for oil prices in years. Absent a deep recession, tight supply/demand conditions should drive higher for longer oil prices.

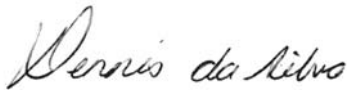
We expect natural gas prices will remain elevated over the medium term as well. Due to pipeline capacity restraints, Russia is unable to redirect European supply to other regions, including China. This effectively removes a meaningful portion of global natural gas supply from the market. In addition, the Russia/Ukraine conflict has placed a greater emphasis on energy security as part of the energy transition equation. The European Union recently voted to keep some specific uses of natural gas and nuclear energy in its taxonomy of sustainable sources of energy. As a result, European countries will likely rely more heavily on North American LNG imports.

Middlefield Resource Funds currently comprise three funds, Discovery 2021, MRF 2021, and MRF 2022. The objective of the funds is to generate attractive tax-advantaged returns from a diversified portfolio of resource companies. To generate these tax benefits, the funds invest in flow-through common shares.

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Gold is being influenced by competing macro themes. Geopolitical tensions, inflation and economic uncertainty are creating investor interest in gold as a safe haven asset. It has served its purpose in this regard with the price of gold flat in H1 compared to broad markets having declined over 20%. However, rising interest rates have made other currencies and fixed-income investments more attractive. The DXY US Dollar Index increased nearly 10% and US 10-Year Treasury yields rose from 1.5% to 3% in H1. Overall, we believe the offsetting forces of high inflation and US dollar strength will remain relatively balanced throughout the remainder of the year, implying a stable price environment for gold investors. This bodes well for gold producers which are expected to generate strong free cash flow this year while trading at attractive valuations.

After experiencing sharp price increases during the first quarter, base metals sold-off in Q2, marking the worst quarter for prices since 2008. Despite the recent declines, base metals and bulk commodities are still trading above the top end of their respective cost curves and producers remain profitable. Base metals are more susceptible to an economic slowdown than precious metals, therefore, the near-term outlook for these commodities remains uncertain. One potential catalyst that could lift prices is a resurgence in demand from China. After several months of strict lockdowns, the Chinese economy is poised to reopen and its government has promised a series of measures to stimulate its economy, including a boost to construction. Over the long-term, our thesis remains that the clean energy transition will be significantly mineral intensive for commodities such as uranium, copper, nickel and lithium



**Dennis da Silva**  
Managing Director & Senior Portfolio Manager  
Middlefield Capital Corporation

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED JUNE 30, 2022

This interim management report of fund performance contains financial highlights but does not contain the annual financial statements of the investment fund. This report should be read in conjunction with the complete interim financial report of the investment fund that follows this report. The interim financial report has not been reviewed by the investment fund's external auditors.

Unitholders may contact us by calling 1-888-890-1868, by writing to us at Middlefield Group at one of the addresses on the back cover or by visiting our website at [www.middlefield.com](http://www.middlefield.com) to request a copy of the investment fund's annual financial statements, proxy voting policies and procedures or quarterly portfolio disclosure. The investment fund has obtained exemptive relief from the requirement to prepare and file a proxy voting disclosure record.

### Management's Discussion of Fund Performance

#### Investment Objectives and Strategies

The investment objectives of Discovery 2021 Short Duration LP (the "Fund"), are to provide unitholders with capital appreciation and significant tax benefits to enhance after-tax returns. In order to achieve the Fund's investment objectives, all available proceeds are invested by the Fund in an actively managed, diversified portfolio comprised primarily of equity securities of Canadian gold mining companies. The Fund initially invests in common shares or warrants issued on a flow-through basis by resource companies such that the resulting expenditures renounced to the Fund provide tax deductions to the Fund equal to 100% of the gross proceeds of the initial offering which closed September 22, 2021.

#### Results of Operations

##### Investment Performance

The Fund raised \$25.0 million in late 2021 for investing in flow-through common shares or warrants of Canadian resource companies. As at June 30, 2022, the invested portfolio assets were primarily comprised of companies operating in the gold sector with the balance invested in issuers in the energy, uranium, metals and mining, and precious metals and minerals sectors.

The Fund commenced operations on September 22, 2021, and as a result there are no comparative figures for the prior year period. At June 30, 2022, the Fund's net asset value per Class A was \$14.31 per unit, representing a total after-tax return on money-at-risk of 14% for an Ontario investor taxed at the highest marginal tax rate. At June 30, 2022, the Fund's net asset value per Class F was \$14.85 per unit, representing a total after-tax return on money-at-risk of 19% for an Ontario investor taxed at the highest marginal tax rate.

#### Revenue and Expenses

Investment income for the period ended June 30, 2022 amounted to approximately \$23,000 and was comprised primarily of income from investments. Operating

expenses for the period totalled approximately \$286,000. The management expense ratio ("MER") was 2.65% for Class A and 2.65% for Class F for the period ended June 30, 2022. Excluding issuance costs and interest expenses, the MER was 2.63% for Class A and 2.63% for Class F for the period ended June 30, 2022. The loss for the period amounted to approximately \$8.4 million. It is not the intention of the Fund to generate net investment income but instead, as described earlier, to generate capital appreciation and significant tax benefits over the life of the Fund.

On a per unit basis, the net assets per Class A attributable to unitholders of the Fund decreased by 36.7% from \$22.61 on December 31, 2021 to \$14.31 on June 30, 2022. On a per unit basis, the net assets per Class F attributable to unitholders of the Fund decreased by 36.7% from \$23.46 on December 31, 2021 to \$14.85 on June 30, 2022. The decrease is attributable primarily to unrealized losses on the investment portfolio. A net loss on investments of \$8.1 million has been recorded as at June 30, 2022.

#### Trends

Russia's invasion of Ukraine marked a pivot point for global trade relationships. Supply chains are being realigned in real time to ensure availability, security, and sustainability of natural resource supplies. By isolating Russia from the global economic system through unprecedented sanctions, countries are being forced to sacrifice lower costs of supply for higher security. Energy-related commodities have been key beneficiaries of this new paradigm with oil and natural gas prices increasing 46.5% and 48.3%, respectively, in the first half of 2022 (H1). Gold is being influenced by competing macro themes. Geopolitical tensions, inflation and economic uncertainty are creating investor interest in gold as a safe haven asset. It has served its purpose in this regard with the price of gold flat in H1 compared to broad markets having declined over 20%.

#### Related Party Transactions

Pursuant to a management agreement, Middlefield Limited (the "Manager") receives a management fee. For further details, please see the "Management Fees" section of this report. Middlefield Capital Corporation ("MCC" or the "Advisor"), the advisor to the Fund and a company under common control with the Manager receives an advisory fee. In addition, MCC received an agency fee from the Fund in respect of units it sold in 2021. For further details, please see the notes to the financial statements.

#### Management Fees

Management fees and fees in respect of portfolio advisory services together are calculated at 2.0% per annum of the net asset value of the Fund and are paid to the Manager and the Advisor. The Manager receives fees for the general administration of the Fund, including maintaining the accounting records, executing securities trades, monitoring compliance with regulatory

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED JUNE 30, 2022

requirements, and negotiating contractual agreements, among other things. The Advisor receives fees for providing investment management advice, including advice in respect of securities selection for the portfolio of securities, in accordance with the investment objectives and strategies of the Fund.

### Credit Facility

The Fund has a non-revolving term credit facility that enables the Fund to borrow up to an amount not exceeding 10% of the gross proceeds raised. As at June 30, 2022, the Fund had a loan payable of \$nil. The minimum and maximum amounts borrowed during the period were \$nil and \$1.7 million, respectively. The loan proceeds were used to finance expenses incurred by the Fund, in order to maximize the allocation of initial offering gross proceeds towards the purchase of flow-through shares. The credit facility provides the lender with security interest over the assets of the Fund.

### Financial Highlights

Net Assets Attributable to Unitholders are calculated in accordance with International Financial Reporting Standards ("IFRS").

"Net Asset Value" is calculated in accordance with section 14.2 of National Instrument 81-106 "Investment Fund Continuous Disclosure" ("NI 81-106") and is used for transactional pricing purposes.

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the indicated periods. Ratios and Supplemental Data are derived from the Fund's Net Asset Value.



# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED JUNE 30, 2022

The Fund's Net Assets Attributable to Unitholders Per Class A Unit<sup>(1)</sup>

	June 30, 2022 <sup>(5)</sup>	December 31, 2021 <sup>(4)</sup>
Net Assets Attributable to Unitholders, Beginning of Period	\$ 22.61	\$ 23.06*
<b>INCREASE (DECREASE) FROM OPERATIONS:</b>		
Total Revenue	0.02	0.01
Total Expenses <sup>(3)</sup>	(0.26)	(0.21)
Realized Losses for the period	(1.38)	-
Unrealized Losses for the Period	(6.65)	(0.50)
Transaction Costs on Purchase and Sale of Investments	(0.03)	-
<b>TOTAL DECREASE FROM OPERATIONS<sup>(2)</sup></b>	<b>(8.30)</b>	<b>(0.45)</b>
Net Assets Attributable to Unitholders, End of Period	\$ 14.31	\$ 22.61

The Fund's Net Assets Attributable to Unitholders Per Class F Unit<sup>(1)</sup>

	June 30, 2022 <sup>(5)</sup>	December 31, 2021 <sup>(4)</sup>
Net Assets Attributable to Unitholders, Beginning of Period	\$ 23.46	\$ 23.94*
<b>INCREASE (DECREASE) FROM OPERATIONS:</b>		
Total Revenue	0.03	0.01
Total Expenses <sup>(3)</sup>	(0.27)	(0.22)
Realized Losses for the period	(1.43)	-
Unrealized Losses for the Period	(6.91)	(0.52)
Transaction Costs on Purchase and Sale of Investments	(0.03)	-
<b>TOTAL DECREASE FROM OPERATIONS<sup>(2)</sup></b>	<b>(8.61)</b>	<b>(0.48)</b>
Net Assets Attributable to Unitholders, End of Period	\$ 14.85	\$ 23.46

<sup>(1)</sup> This information is derived from the Fund's audited annual financial statements unaudited interim financial report.

<sup>(2)</sup> Net Assets Attributable to Unitholders are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This schedule is not a reconciliation of Net Asset Value since it does not reflect unitholder transactions as shown on the Statement of Changes in Net Assets Attributable to Unitholders and accordingly columns may not add.

<sup>(3)</sup> There were no distributions paid by the Fund.

<sup>(4)</sup> For the period September 22, 2021 (date of commencement of operations) to December 31, 2021.

<sup>(5)</sup> As at June 30, 2022 or for the six-month period ended June 30, 2022.

\* Initial issue price, net of agents' fees and initial issue costs.



# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED JUNE 30, 2022

### Ratios and Supplemental Data – Class A

	June 30, 2022 <sup>(5)</sup>	December 31, 2021 <sup>(4)</sup>
Total Net Asset Value (000s)	\$ 9,953	\$ 15,724
Number of Units Outstanding	695,580	695,580
Management Expense Ratio ("MER") <sup>(1)</sup>	2.65%	9.81%
MER (excluding interest expense and issuance costs) <sup>(1)</sup>	2.63%	2.96%
Trading Expense Ratio <sup>(2)</sup>	0.28%	-
Portfolio Turnover Rate <sup>(3)</sup>	18.58%	-
Net Asset Value per Unit	\$ 14.31	\$ 22.61

### Ratios and Supplemental Data – Class F

	June 30, 2022 <sup>(5)</sup>	December 31, 2021 <sup>(4)</sup>
Total Net Asset Value (000s)	\$ 4,521	\$ 7,143
Number of Units Outstanding	304,420	304,420
Management Expense Ratio ("MER") <sup>(1)</sup>	2.65%	6.27%
MER (excluding interest expense and issuance costs) <sup>(1)</sup>	2.63%	2.96%
Trading Expense Ratio <sup>(2)</sup>	0.28%	-
Portfolio Turnover Rate <sup>(3)</sup>	18.58%	-
Net Asset Value per Unit	\$ 14.85	\$ 23.46

- (1) The MER is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average Net Asset Value during the period. The MER (excluding interest expense and issuance costs) has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average Net Asset Value. Issuance costs are one-time costs incurred at inception, and the inclusion of interest expense does not consider the additional earnings that have been generated from the investment of the leverage.
- (2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average Net Asset Value during the period.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio investments are managed. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.
- (4) For the period September 22, 2021 (date of commencement of operations) to December 31, 2021.
- (5) As at June 30, 2022 or for the six-month period ended June 30, 2022, as applicable.

### Past Performance

The Fund has not presented its historical performance because it commenced operations on September 22, 2021 and accordingly has been in existence for less than one year.

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

## FOR THE PERIOD ENDED JUNE 30, 2022

### Summary of Investment Portfolio

AS AT JUNE 30, 2022

Top Twenty-Five Holdings\*

DESCRIPTION	% OF NET ASSET VALUE
1 Sabina Gold & Silver Corp.	5.1
2 White Gold Corp.	5.1
3 Fireweed Metals Corp.	4.8
4 Cenovus Energy Inc.	4.7
5 Tourmaline Oil Corp.	4.6
6 Uex Corp.	4.6
7 Whitecap Resources Inc.	4.3
8 Baselode Energy Corp.	4.3
9 Goldshore Resources Inc.	3.5
10 Crescent Point Energy Corp.	3.2
11 Canadian Natural Resources Ltd.	2.9
12 Brixton Metals Corp.	2.8
13 Tudor Gold Corp.	2.7
14 Treasury Metals Inc.	2.7
15 Quebec Nickel Corp.	2.7
16 Monarch Mining Corp.	2.5
17 Klondike Gold Corp.	2.5
18 Benchmark Metals Inc.	2.4
19 Cantex Mine Development Corp.	2.3
20 Torr Metals Inc.	2.2
21 Pacton Gold Inc.	2.1
22 Baselode Energy Corp. – Warrants, 28 September 2023	1.8
23 Medaro Mining Corp.	1.8
24 NiCAN Limited	1.7
25 Canstar Resources Inc.	1.6

\*"Top Twenty-Five Holdings" excludes any temporary cash investments.

ASSET CLASS	% OF NET ASSET VALUE
Gold	37.0
Energy	19.8
Uranium	16.7
Metals and Mining	16.5
Precious Metals and Minerals	2.9
Cash and Short-Term Investment	7.6
Other Net Liabilities	(0.5)
	100.0

TOTAL NET ASSET VALUE \$ 14,474,411

The Summary of Investment Portfolio may change over time due to ongoing portfolio transactions. Please visit [www.middlefield.com](http://www.middlefield.com) for the most recent quarter-end Summary of Investment Portfolio.

**FINANCIAL  
STATEMENTS**





# INTERIM FINANCIAL REPORT

## NOTICE

The accompanying unaudited financial statements of Discovery 2021 Short Duration LP for the period ended June 30, 2022 have been prepared by management and have not been reviewed by the external auditors of the Fund.



Jeremy Brasseur  
Director  
Middlefield Limited



Craig Rogers  
Director  
Middlefield Limited

August 22, 2022

# INTERIM FINANCIAL REPORT

UNAUDITED

## Statements of Financial Position

AS AT

(In Canadian Dollars)

June 30, 2022

December 31, 2021

### ASSETS

#### Current Assets

Investments at Fair Value through Profit or Loss	\$	13,446,756	\$	24,255,339
Cash		1,100,962		455,291
Interest and Other Receivables		9,915		-
Prepaid Interest		-		5,277
Total Assets		14,557,633		24,715,857

### LIABILITIES

#### Current Liabilities

Loan Payable (Note 6)	-		-	1,700,000
Accounts Payable and Accrued Liabilities (Note 9)		83,222		148,782
Total Liabilities (Excluding Net Assets Attributable to Unitholders)		83,222		1,848,782

Net Assets Attributable to Unitholders	\$	14,474,411	\$	22,867,075
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Net Assets Attributable to Unitholders – Class A	\$	9,953,142	\$	15,724,249
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Net Assets Attributable to Unitholders – Class F	\$	4,521,269	\$	7,142,826
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Units Issued and Outstanding – Class A (Note 3F)	695,580			695,580
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Units Issued and Outstanding – Class F (Note 3F)	304,420			304,420
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Net Assets Attributable to Unitholders per Unit – Class A	\$	14.31	\$	22.61
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Net Assets Attributable to Unitholders per Unit – Class F	\$	14.85	\$	23.46
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The accompanying notes to financial statements are an integral part of these financial statements.

Approved by the Board of Directors of Middlefield Limited, as Manager:



Director: Jeremy Brasseur



Director: Craig Rogers

# INTERIM FINANCIAL REPORT

UNAUDITED

## Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED JUNE 30

TAX SHELTER IDENTIFICATION NUMBER (NOTE 8): TS092924

(In Canadian Dollars)

2022

### REVENUE

Interest Income	\$	1,310
Income from Investments		21,240

### Other Changes in Fair Value of Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Net Realized Loss from Investment Transactions		(1,392,495)
Change in Net Unrealized Loss on Investments		(6,731,852)
<b>Total Loss</b>		<b>(8,101,797)</b>

### OPERATING EXPENSES (Note 9)

Advisory Fee		12,162
Custodial Fees		1,115
Fund Administration Costs		31,271
Management Fee		202,422
Transaction Costs (Note 7)		27,579
Unitholder Reporting Costs		11,091
<b>Total Operating Expenses</b>		<b>285,640</b>
Operating Loss		(8,387,437)
Finance Costs (Note 6)		5,227
<b>Loss</b>	<b>\$</b>	<b>(8,392,664)</b>

**Decrease in Net Assets Attributable to Unitholders** **\$ (8,392,664)**

**Decrease in Net Assets Attributable to Unitholders – Class A** **\$ (5,771,107)**

**Decrease in Net Assets Attributable to Unitholders – Class F** **\$ (2,621,557)**

**Decrease in Net Assets Attributable to Unitholders per Unit – Class A (Note 3F)** **\$ (8.30)**

**Decrease in Net Assets Attributable to Unitholders per Unit – Class F (Note 3F)** **\$ (8.61)**

The accompanying notes to financial statements are an integral part of this financial statement.



# INTERIM FINANCIAL REPORT

UNAUDITED

## Statement of Changes in Net Assets Attributable to Unitholders

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(In Canadian Dollars)	Class A	Class F	Total
Net Assets Attributable to Unitholders at Beginning of Period	\$ 15,724,249	\$ 7,142,826	\$ 22,867,075
Decrease in Net Assets Attributable to Unitholders	(5,771,107)	(2,621,557)	(8,392,664)
Net Assets Attributable to Unitholders at End of Period	\$ 9,953,142	\$ 4,521,269	\$ 14,474,411

## Statement of Cash Flows

FOR THE SIX MONTHS ENDED JUNE 30

(In Canadian Dollars)	2022
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	
Decrease in Net Assets Attributable to Unitholders	\$ (8,392,664)
Adjustments:	
Proceeds from Sale of Investments	6,265,450
Purchases of Investments	(3,581,214)
Net Realized Loss from Investment Transactions	1,392,495
Change in Net Unrealized Loss on Investments	6,731,852
	2,415,919
Net Change in Non-Cash Working Capital	(70,248)
Net Cash from Operating Activities	2,345,671
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>	
Repayment of Loans	(1,700,000)
Net Cash used in Financing Activities	(1,700,000)
Net Increase in Cash	645,671
Cash at Beginning of Period	455,291
Cash at End of Period	\$ 1,100,962

The accompanying notes to financial statements are an integral part of these financial statements.



# INTERIM FINANCIAL REPORT

## UNAUDITED

### Schedule of Investment Portfolio

AS AT JUNE 30, 2022  
(In Canadian Dollars)

Description	No. of Securities	Average Cost	Fair Value
Benchmark Metals Inc.	530,000	\$ 662,500	\$ 349,800
Benchmark Metals Inc. – Warrants, 28 September 2023	265,000	-	20,530
Brixton Metals Corp. – Warrants, 7 December 2023	1,875,000	-	68,663
Brixton Metals Corp.	3,000,000	600,000	405,000
Canstar Resources Inc.	2,200,000	693,000	231,000
Canstar Resources Inc. – Warrants, 7 December 2023	1,100,000	-	26,257
Goldshore Resources Inc.	1,920,500	1,248,325	508,932
Klondike Gold Corp.	2,500,000	500,000	362,500
Klondike Gold Corp. – Warrants, 22 October 2023	1,250,000	-	30,250
Monarch Mining Corp.	900,000	810,000	364,500
Nighthawk Gold Corp.	500,000	500,000	210,000
Nighthawk Gold Corp. – Warrants, 9 December 2023	250,000	-	2,735
P2 Gold Inc.	500,000	250,000	207,500
Pacton Gold Inc.	1,000,000	550,000	305,000
Sabina Gold & Silver Corp.	702,200	1,313,113	744,331
Treasury Metals Inc.	1,000,000	850,000	390,000
Tudor Gold Corp.	305,000	762,500	396,500
White Gold Corp.	1,812,500	1,450,000	734,063
<b>GOLD: 36.8%</b>		<b>10,189,438</b>	<b>5,357,561</b>
Canadian Natural Resources Ltd.	6,000	480,874	415,020
Cenovus Energy Inc.	28,000	630,768	685,720
Crescent Point Energy Corp.	51,000	470,922	466,650
Tourmaline Oil Corp.	10,000	700,826	669,300
Whitecap Resources Inc.	70,000	722,649	625,800
<b>ENERGY: 19.7%</b>		<b>3,006,039</b>	<b>2,862,490</b>
Azincourt Energy Corp.	2,400,000	450,000	132,000
Azincourt Energy Corp. – Warrants, 12 October 2024	2,666,666	-	12,240
Baselode Energy Corp.	790,000	379,200	616,199
Baselode Energy Corp. – Warrants, 28 September 2023	781,250	-	264,938
CanAlaska Uranium Ltd. – Warrants, 17 November 2023	206,277	-	7,255
Fission 3.0 Corp.	2,525,000	495,750	189,375
Fission 3.0 Corp. – Warrants, 22 December 2023	762,500	-	15,067
Fission 3.0 Corp. – Warrants, 29 September 2023	1,175,000	-	23,770
Medaro Mining Corp. – Warrants, 16 November 2023	357,500	-	29,991
Medaro Mining Corp.	715,000	500,500	257,400
Traction Uranium Corp.	500,000	250,000	190,000
Traction Uranium Corp. – Warrants, 21 December 2023	250,000	-	19,405
Uex Corp.	2,000,000	780,000	660,000
<b>URANIUM: 16.6%</b>		<b>2,855,450</b>	<b>2,417,640</b>
CopAur Minerals Inc.	350,000	385,000	182,000
CopAur Minerals Inc. – Warrants, 9 November 2023	225,000	-	12,996
Fireweed Metals Corp.	1,182,000	945,600	697,379
Granite Creek Copper Ltd.	1,527,800	275,004	129,863
Metal Energy Corp.	2,083,333	500,000	187,500
Metal Energy Corp. – Warrants, 19 November 2023	1,041,667	-	22,344
NiCAN Limited	1,000,000	250,000	250,000
Osisko Metals Inc.	520,000	249,600	197,600
Quebec Nickel Corp.	3,000,000	750,000	390,000
Torr Metals Inc.	2,000,000	660,000	320,000
<b>METALS AND MINING: 16.4%</b>		<b>4,015,204</b>	<b>2,389,682</b>

**INTERIM FINANCIAL REPORT**  
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**Schedule of Investment Portfolio (continued)**

AS AT JUNE 30, 2022  
(In Canadian Dollars)

<b>Description</b>	<b>No. of Securities</b>	<b>Average Cost</b>	<b>Fair Value</b>
Canada Silver Cobalt Works Inc. – Warrants, 25 October 2023	1,950,000	\$ -	\$ 15,113
Cantex Mine Development Corp.	1,250,000	625,000	337,500
Cantex Mine Development Corp. – Warrants, 19 November 2023	1,000,000	-	66,770
<b>PRECIOUS METALS AND MINERALS: 2.9%</b>		625,000	419,383
<b>TRANSACTION COSTS (Note 7)</b>		(3,810)	-
TOTAL INVESTMENTS: 92.4%		20,687,321	13,446,756
CASH: 7.6%		1,100,962	1,100,962
<b>Total Investment Portfolio, Including Cash</b>		<b>\$ 21,788,283</b>	<b>\$ 14,547,718</b>

# NOTES TO FINANCIAL STATEMENTS



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 | UNAUDITED

## 1. Discovery 2021 Short Duration LP

Discovery 2021 Short Duration LP (the “Fund”) was formed as a limited partnership pursuant to a certificate under the laws of the Province of Alberta dated August 11, 2021 and commenced operations on September 22, 2021. The principal purpose of the Fund is to invest in an actively managed, diversified portfolio comprised primarily of equity securities of Canadian gold mining companies. Pursuant to a prospectus dated August 30, 2021 (the “Prospectus”), Limited Partners subscribed for 695,580 Class A units and 304,420 Class F units of limited partnership interest. The general partner of the Fund is Middlefield Resource Corporation (the “General Partner”). The Manager of the Fund is Middlefield Limited (the “Manager”) and Middlefield Capital Corporation, a company under common control with the Manager, is an advisor to the Fund (“MCC” or the “Advisor”). The address of the Fund’s registered office is First Canadian Place, 58<sup>th</sup> Floor, PO Box 192, Toronto, Ontario. These financial statements, expressed in Canadian Dollars, were authorized for issuance by the board of directors of the Manager on August 22, 2022.

## 2. Basis of Presentation

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

## 3. Summary of Significant Accounting Policies

### A. Basis of Accounting

#### IFRS 9 *Financial Instruments* (“IFRS9”)

The Fund classifies and measures financial instruments in accordance with IFRS 9 which requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s financial assets and liabilities are classified at fair value through profit or loss (“FVTPL”) and amortized cost.

#### Classification, Measurement, Impairment and Hedge Accounting

The Fund classifies its investments in debt and equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income (“FVOCI”) was chosen upon adoption. Consequently, these financial assets are mandatorily measured at FVTPL.

Financial assets or financial liabilities held for trading are those acquired principally for the purpose of selling or repurchasing in the near future or on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit taking. All derivatives and short positions are included in this category and mandatorily measured at FVTPL. The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 uses the expected credit loss model (“ECL”), as the new impairment model for financial assets carried at amortized cost. The Fund’s financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime of ECLs. Due to the high quality and short-term nature of the trade receivables, there are no expected credit losses associated with them and they are not considered impaired at the reporting dates.

The Fund does not apply general hedge accounting to any of its derivatives positions.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 | UNAUDITED

## 3. Summary of Significant Accounting Policies (continued)

### B. Financial Instruments

The Fund's financial instruments may include: short-term investments, equities, derivatives (collectively referred to as "investments"), cash, accounts receivable – portfolio securities sold, income and interest receivable, accounts receivable, prepaid interest, prepaid expenses, loan payable, accounts payable – portfolio securities purchased and accounts payable and accrued liabilities. The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value. The Fund's Net Assets Attributable to Unitholders are measured at fair value. The Fund's obligation for net assets attributable to unitholders is presented at its net asset value ("NAV"). All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with unitholders.

The Fund only offsets financial assets and financial liabilities if the Fund has a legally enforceable right to offset recognized amounts and either intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

### C. Fair Value Measurement

The Fund's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and financial liabilities, including derivative investments. Investments and futures contracts are valued at fair value using the policies described below.

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 is based on quoted market prices at the close of trading on the reporting date. The Fund uses 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.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used 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 valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs.

### D. Limited Partnership Units and Net Assets Attributable to Unitholders

The Fund has three classes of units, the Class A and Class F transferable limited partnership units held by the Limited Partner (the "Limited Partner units") and the unit held by the General Partner representing 0.01% interest in the Fund (the "General Partner unit"). The Fund has a limited life as liquidation is certain to occur and there is a contractual obligation for the Fund to deliver to unitholders a pro-rata share of its net assets on termination of the Fund (see Note 11). The Limited Partner units are not subordinate to the General Partner unit. Therefore, in accordance with the classification requirements of IFRS, the Limited Partner units are classified as liabilities and are measured at their net asset value.

### E. Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. The change in the difference between fair value and average cost of the investments is recorded as unrealized gain (loss) on investments. Income from investments is recognized on the ex-dividend or ex-distribution date. Interest income on bank deposits is recognized on an accrual basis. For income tax purposes, the adjusted cost base of flow-through shares is deemed to be \$nil and, therefore, upon disposition of such shares, the amount of capital gain for tax purposes generally will equal the proceeds of disposition and will be allocated to the Limited Partners based upon their proportionate share of the Fund.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 | UNAUDITED

### 3. Summary of Significant Accounting Policies (continued)

#### F. Increase (Decrease) in Net Assets Attributable to Unitholders per Unit

Increase (Decrease) in Net Assets Attributable to Unitholders per unit in the Statement of Comprehensive Income represents the increase (decrease) in net assets divided by the respective units outstanding during the period.

#### G. Allocation of Net Income and Loss

The net income of the Fund for each fiscal period is allocated 0.01% to the General Partner and the balance, along with 100% of the net loss of the Fund, among the Limited Partners in proportion to the number of CEE units held by each of them at the end of each period. The Fund is not itself a taxable entity. Accordingly, no provision for income taxes is required.

#### H. Foreign Currency Translation

Foreign currency amounts are translated into Canadian dollars as follows: fair value of investments and other assets and liabilities, at the closing rate of exchange on each business day; income and expenses and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

#### I. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

##### Determination of Functional Currency

“Functional currency” is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The majority of the Fund’s investments and transactions are denominated in Canadian dollars. Investor subscriptions and redemptions are also received and paid in Canadian dollars. Accordingly, management has determined that the functional currency of the Fund is Canadian dollars.

##### Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 4 for further information about the fair value measurement of the Fund’s financial instruments.



# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 | UNAUDITED

## 4. Fair Value Disclosure

The Fund classifies fair value measurements within a hierarchy which 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 table below summarizes the fair value of the Fund's financial instruments as at June 30, 2022 and December 31, 2021 using the following fair value hierarchy:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
Level 3	Inputs that are unobservable and where there is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

As at June 30, 2022

Description	Level 1	Level 2	Level 3	Total
Equities	\$ 12,238,435	\$ 320,000	\$ 250,000	\$ 12,808,435
Warrants	-	638,321	-	638,321
Total	\$ 12,238,435	\$ 958,321	\$ 250,000	\$ 13,446,756

As at December 31, 2021

Description	Level 1	Level 2	Level 3	Total
Equities	\$ 777,778	\$ 21,685,624	\$ 250,000	\$ 22,713,402
Warrants	-	1,541,937	-	1,541,937
Total	\$ 777,778	\$ 23,227,561	\$ 250,000	\$ 24,255,339

All fair value measurements are recurring. The carrying values of cash, interest and other receivables, prepaid interest, loan payable, accounts payable and accrued liabilities and the Fund's obligation for net assets attributable to unitholders approximate their fair values due to their short-term nature.

Fair values of the Fund's investments are classified as Level 1 when the related security 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 Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments. As at June 30, 2022, the Fund held \$250,000 (December 31, 2021 - \$250,000) of Level 3 securities. The unobservable inputs used in the valuation of these financial instruments primarily include key variables, current market conditions and recent financings by the issuer, if any. These securities are affected by market activity in their relevant sectors and therefore generally fluctuate similarly. The Fund's level 3 investments in NiCAN Limited represent 1.9% of the Fund's investment portfolio.

The Fund's policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3. No transfers between levels have occurred during the period ended June 30, 2022 and the year ended December 31, 2021.

The reconciliation of investments measured at fair value using unobservable inputs (Level 3) for the periods ended June 30, 2022 and December 31, 2021 is as follows:

Period Ended June 30, 2022

Balance at January 1	\$ 250,000
Investment Purchases during the Period	-
Investment Sales during the Period	-
Realized Gain	-
Unrealized Gain	-
Balance at June 30	\$ 250,000



# NOTES TO FINANCIAL STATEMENTS

## JUNE 30, 2022 | UNAUDITED

### 4. Fair Value Disclosure (continued)

Period Ended December 31, 2021

Balance at September 22 (date of commencement of operations)	\$	-
Investment Purchases during the Period		250,000
Investment Sales during the Period		-
Realized Gain		-
Unrealized Gain		-
Balance at December 31	\$	250,000
Total Change in Unrealized Gain during the Period for Assets held at December 31	\$	-

The use of reasonable possible alternative assumptions for valuing Level 3 financial instruments would not significantly affect the fair value of these instruments.

### 5. Financial Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: price risk, interest rate risk, liquidity risk, credit risk and concentration risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, unitholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposures are consistent with its objectives and risk tolerance.

Most of the Fund's risks are derived from its investments. The value of the investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, commodity prices, the market and company news related to specific securities within the Fund. The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions. The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

#### A. Price Risk

Price risk is the risk that changes in the prices of the Fund's investments will affect the Fund's income or the value of its financial instruments. The Fund's price risk is driven primarily by volatility in commodity and equity prices. Rising commodity and equity prices may increase the price of an investment while declining commodity and equity prices may have the opposite effect. In particular, the Fund had large investments in five securities which represent 24.3% of the Fund's net assets as at June 30, 2022: Sabina Gold & Silver Corp. (5.1%), White Gold Corp. (5.1%), Fireweed Metals Corp. (4.8%), Cenovus Energy Inc. (4.7%) and Tourmaline Oil Corp. (4.6%). The Fund mitigates price risk by making investing decisions based upon various factors, including comprehensive fundamental analysis prepared by industry experts to forecast future commodity and equity price movements. The Fund's market positions are monitored on a daily basis by the portfolio manager and regular financial reviews of publicly available information related to the Fund's investments are performed to ensure that any risks are within established levels of risk tolerance. The Fund is exposed to price risk through the following financial instrument:

	June 30, 2022	December 31, 2021
Investments at FVTPL	\$ 13,446,756	\$ 24,255,339

Based on the above exposure at June 30, 2022, a 10% increase or decrease in the prices of the Fund's investments would result in a \$1,344,676 (December 31, 2021 - \$2,425,534) increase or decrease in net assets of the Fund, with all other factors held constant.

#### B. Interest Rate Risk

Interest rate risk describes the Fund's exposure to changes in the general level of interest rates. Interest rate risk arises when the Fund invests in interest-bearing financial assets such as cash and utilizes financial liabilities such as loan payable. In respect of cash balances and loan payable, the Fund's interest income and expense are positively correlated to interest rates in that rising interest rates increase both interest income and expense while the reverse is true in a declining interest rate environment. The Fund has not hedged its exposure to interest rate movements. The Fund seeks to mitigate this risk through active management, which involves monitoring debt levels and analysis of economic indicators to forecast Canadian and global interest rates. The Fund is exposed to interest rate risk through the following financial instruments:

	June 30, 2022	December 31, 2021
Cash	\$ 1,100,962	\$ 455,291
Loan Payable	-	(1,700,000)
Net Exposure	\$ 1,100,962	\$ (1,244,709)

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 | UNAUDITED

## 5. Financial Risk Management (continued)

### B. Interest Rate Risk (continued)

Based on the above exposures at June 30, 2022, a 1% per annum increase or decrease in interest rates would result in a \$11,010 increase or decrease (December 31, 2021 - \$12,447 decrease or increase) in net assets of the Fund, with all other factors held constant.

### C. Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations when due. The Fund has a non-revolving term credit facility in the maximum principal amount of \$2.5 million which is secured by a general security agreement. The Fund's other obligations are due within one year. 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 sold. The Fund retains sufficient cash to maintain liquidity and comply with liquidity requirements as outlined by securities legislation and its investment policies.

The Fund may invest in securities that are not traded on a public stock exchange or that may be illiquid. As a result, the Fund may not be able to dispose of these investments in a timely manner. The Fund mitigates this risk through active management, which involves detailed analysis of such entities to ensure they are financially sound and would be attractive to potential investors if a sale is necessary. The Fund's investment policies and securities legislation limit the amount invested in illiquid securities and these limits are monitored. As at June 30, 2022 or December 31, 2021, the Fund did not hold any illiquid securities.

The tables below presents the Fund's financial liabilities based on the remaining period to the contractual maturity date. The amounts in the table reflect the contractual undiscounted cash flows.

As at June 30, 2022

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Accounts Payable and Accrued Liabilities	\$ 83,222	\$ -	\$ -	\$ 83,222
Net Assets Attributable to Unitholders	14,474,411	-	-	14,474,411
Total	\$ 14,557,633	\$ -	\$ -	\$ 14,557,633

As at December 31, 2021

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Loan Payable	\$ -	\$ 1,700,000	\$ -	\$ 1,700,000
Accounts Payable and Accrued Liabilities	148,782	-	-	148,782
Net Assets Attributable to Unitholders	22,867,075	-	-	22,867,075
Total	\$ 23,015,857	\$ 1,700,000	\$ -	\$ 24,715,857

The Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments, specifically Loan Payable, typically retain them for a longer period.

### D. Credit Risk

Credit risk represents the financial loss that the Fund would experience if a counterparty to a financial instrument failed to meet its obligations to the Fund. The Fund is exposed to credit risk on its debt instruments, derivative assets, cash and cash equivalents and other short term trade receivables. The Fund measures credit risk and lifetime ECLs related to the trade receivables using historical analysis and forward looking information in determining the ECL. The carrying amounts of financial assets represent the maximum credit exposure. All transactions executed by the Fund in listed securities are settled 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 only once the broker has received the securities. The trade will fail if either party fails to meet its obligations. There is no significant credit risk related to the Fund's receivables.

The Fund has established various internal controls to help mitigate credit risk, including prior approval of all investments by the Advisor whose mandate includes conducting financial and other assessments of these investments on a regular basis. The Fund has also implemented policies which ensure that investments can only be made with counterparties that have a minimum acceptable credit rating.

# NOTES TO FINANCIAL STATEMENTS

## JUNE 30, 2022 | UNAUDITED

### 5. Financial Risk Management (continued)

#### E. Concentration Risk

The Fund is exposed to the possible risk inherent in the concentration of the investment portfolio in a small number of industries or investment sectors. The Manager moderates this risk through careful selection of securities in several investment sectors. At June 30, 2022 and December 31, 2021, the percentages of the Fund's total net assets invested in each investment sector were as follows:

Sector	As a % of Net Assets	
	June 30, 2022	December 31, 2021
Gold	37.0	58.6
Energy	19.8	-
Uranium	16.7	25.8
Metals and Mining	16.5	16.9
Precious Metals and Minerals	2.9	4.8
<b>Total</b>	<b>92.9</b>	<b>106.1</b>

### 6. Loan Payable

The non-revolving term credit facility in the maximum principal amount of \$2.5 million is secured by a general security agreement. As at June 30, 2022, loans outstanding included bankers' acceptances with a face value of \$nil (December 31, 2021 - \$1.7 million). The minimum and maximum loans outstanding during the period ended June 30, 2022 were \$nil and \$1.7 million (December 31, 2021 - \$1.7 million and \$1.7 million), respectively. The Fund is subject to bank covenants on the loan payable and is in compliance with those covenants in both 2022 and 2021. Finance costs primarily relate to loan interest expenses.

### 7. Transaction Costs

Brokerage commissions and other transaction costs paid in connection with securities transactions during the period ended June 30, 2022 amounted to \$27,579. Included in this amount is \$10,395 in brokerage commissions that were paid to MCC. All commissions paid by the Fund to MCC were at or below market rates. Brokerage commissions and other transaction costs are expensed and recorded in the Statement of Comprehensive Income.

### 8. Tax Shelter Identification and Partnership Account Numbers

The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administration purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter. The tax shelter number for the Fund is TS092924. The partnership account number for the Fund is 781836200RZ0001.

### 9. Related Party Transactions

The General Partner and the Advisor are each entitled to receive fees. The management fee and advisory fee are, in aggregate, equal to 2.0% per annum of the NAV of the Fund, calculated and payable monthly in arrears. These fees are recorded as Management Fee and Advisory Fee in the Statement of Comprehensive Income. At June 30, 2022, the management and advisory fees payable by the Fund were \$25,669 and \$1,351, respectively and are included in Accounts Payable and Accrued Liabilities. The General Partner also has a 0.01% beneficial interest in the Fund. The General Partner is reimbursed for reasonable costs related to maintaining the Fund and preparation and distribution of financial statements and other documents to the Limited Partners. The Advisor is entitled to a performance fee payable on the earlier of: (a) the business day prior to the date on which the assets of the Fund are exchanged on a tax-deferred basis for redeemable shares of one of the classes of Middlefield Mutual Funds Limited (the "Mutual Fund"), a mutual fund corporation; and (b) the business day immediately prior to the date of dissolution or termination (see Note 11) of the Fund ("Performance Fee Date"), equal to 20% of the amount that is equal to the product of: (i) the number of units outstanding on the Performance Fee Date; and (ii) the amount by which the NAV per unit on the Performance Fee Date and any distributions per unit paid during the period commencing on the date of the initial closing and ending on the Performance Fee Date exceeds, in the case of Class A Units, \$26.50, and in the case of the Class F Units, \$27.48. During the period ended June 30, 2022, agency fees paid to MCC amounted to \$1,399.

### 10. Capital Management

The Fund's capital is its net assets attributable to unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength.

The Fund manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value. In order to maintain or adjust its capital structure, the Fund may repay debt under its loan facility or undertake other activities deemed appropriate under the specific circumstances.

# NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 | UNAUDITED

## 11. Termination of Fund

The Fund is currently expected to dissolve on or about March 31, 2023 at which time the net assets will be allocated 99.99% to the Limited Partners and 0.01% to the General Partner; however, it is the current intention of the General Partner to propose prior to the dissolution that the Fund enter into an agreement with the Mutual Fund, whereby assets of the Fund would be exchanged for shares of one of the classes of the Mutual Fund, as determined by the General Partner based on the advice of the Advisor, on or about February 15, 2023. Upon dissolution, Limited Partners would then receive their pro rata share of the shares of one of the classes of the Mutual Fund. The completion of any such arrangement would be subject to the receipt of all necessary regulatory approvals.

## 12. Comparative Financial Statements

The Fund commenced operations on September 22, 2021. Accordingly, there are no comparative financial statements for the period ended June 30, 2021.

13. The outbreak of the novel coronavirus (COVID-19) has led to governments around the world enacting emergency measures that resulted in business disruptions, volatility in markets and a global economic slowdown. The Manager uses judgment in assessing the impact from such events on assumptions and estimates applied in reporting the assets and liabilities in the Fund's financial statements at June 30, 2022. The duration and full extent of impact of the COVID-19 pandemic are unknown at the reporting date and it is therefore not possible to reliably estimate the entire impact on the financial results and position of the Fund in future periods.

# MIDDLEFIELD FUNDS FAMILY |

<b>EXCHANGE - TRADED FUNDS (ETFs)</b>	<b>TSX Stock Symbol</b>
• Middlefield Healthcare Dividend ETF (formerly Healthcare & Life Sciences ETF)	MHCD
• Middlefield Health & Wellness ETF	HWF
• Middlefield Innovation Dividend ETF (formerly Global Innovation Dividend Fund)	MINN
• Middlefield Sustainable Global Dividend ETF (formerly Global Dividend Growers Income Fund)	MDIV
• Middlefield Sustainable Infrastructure Dividend ETF (formerly Sustainable Infrastructure Dividend Fund)	MINF
• Middlefield Real Estate Dividend ETF (formerly Middlefield REIT INDEXPLUS ETF)	MREL
• Middlefield U.S. Equity Dividend ETF (formerly Middlefield American Core Dividend ETF)	MUSA
<b>TSX-LISTED FUNDS</b>	
• E Split Corp.	ENS   ENS.PR.A
• International Clean Power Dividend Fund	CLP.UN
• Middlefield Global Real Asset Fund	RA.UN
• MINT Income Fund	MID.UN
• Real Estate Split Corp. (formerly Real Estate & E-Commerce Split Corp.)	RS   RS.PR.A
• Sustainable Agriculture & Wellness Dividend Fund	AGR.UN
• Sustainable Innovation & Health Dividend Fund	SIH.UN
• Sustainable Real Estate Dividend Fund	MSRE.UN
• Workplace Technology Dividend Fund	WORK.UN
<b>MIDDLEFIELD MUTUAL FUNDS TRUST FUNDS</b>	
<b>Series A Units</b>	<b>Fund Code FE/LL/DSC</b>
• Middlefield Healthcare Dividend Fund (formerly Global Healthcare Dividend Fund)	MID 325/327/330
• INDEXPLUS Income Fund	MID 435/437/440
• Middlefield Global Infrastructure Fund	MID 510/519/520
<b>Series F Units</b>	
• Middlefield Healthcare Dividend Fund (formerly Global Healthcare Dividend Fund)	MID 326
• INDEXPLUS Income Fund	MID 436
• Middlefield Global Infrastructure Fund	MID 501
<b>MIDDLEFIELD MUTUAL FUNDS CORPORATE CLASS FUNDS</b>	
<b>Series A Shares</b>	<b>Fund Code FE/LL/DSC</b>
• Middlefield Canadian Dividend Growers Class	MID 148/449/450
• Middlefield Global Agriculture Class	MID 161/163/166
• Middlefield Global Dividend Growers Class	MID 181/183/186
• Middlefield Global Energy Transition Class (commenced May 31, 2022)	MID 265
• Middlefield Real Estate Dividend Class (formerly Middlefield Global Real Estate Class)	MID 600/649/650
• Middlefield High Interest Income Class	MID 400/424/425
• Middlefield Income Plus Class	MID 800/849/850
• Middlefield Innovation Dividend Class (commenced May 31, 2022)	MID 925
• Middlefield U.S. Equity Dividend Class (formerly Middlefield U.S. Dividend Growers Class)	MID 710/719/720
<b>Series F Shares</b>	
• Middlefield Canadian Dividend Growers Class	MID 149
• Middlefield Global Agriculture Class	MID 162
• Middlefield Global Dividend Growers Class	MID 182
• Middlefield Global Energy Transition Class (commenced May 31, 2022)	MID 266
• Middlefield Real Estate Dividend Class (formerly Middlefield Global Real Estate Class)	MID 601
• Middlefield Income Plus Class	MID 801
• Middlefield Innovation Dividend Class (commenced May 31, 2022)	MID 926
• Middlefield U.S. Equity Dividend Class (formerly Middlefield U.S. Dividend Growers Class)	MID 701
<b>RESOURCE FUNDS</b>	
• Discovery 2021 Short Duration LP	
• MRF 2021 Resource Limited Partnership	
• MRF 2022 Resource Limited Partnership	
<b>INTERNATIONAL FUNDS</b>	
• Middlefield Canadian Income PCC	London UK Stock Exchange (LSE) Symbol:MCT

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