

Next Edge Biotech and Life Sciences Opportunities Fund

Annual Financial Statements – 2023
As at and for the year ended December 31, 2023



NEXTEGE
CAPITAL

Next Edge Biotech and Life Sciences Opportunities Fund

Table of contents

Management’s responsibility for financial reporting2

Independent auditor’s report3

Statements of financial position6

Statements of comprehensive loss7

Statements of changes in net assets attributable to holders of redeemable units8

Statements of cash flows.....9

Schedule of investments..... 10

Notes to the financial statements..... 15

General information..... 30

Next Edge Biotech and Life Sciences Opportunities Fund

Management’s responsibility for financial reporting

Next Edge Capital Corp. (the “Manager”) is responsible for the accompanying financial statements of Next Edge Biotech and Life Sciences Opportunities Fund (the “Fund”) and all the information in this report. These financial statements have been approved by the Board of Directors of Next Edge Capital Corp., as Manager and Trustee. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management’s judgment and best estimates.

Management has established systems of internal controls that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management’s responsibilities for the integrity of the financial statements.

The Manager recognizes its responsibility to conduct the Fund’s affairs in the best interest of its unitholders.

Respectfully,



Robert Anton
President



David Scobie
Chief Operating Officer

Next Edge Capital Corp.
March 28, 2024

Independent Auditor's Report

To the Unitholders of
Next Edge Biotech and Life Sciences Opportunities Fund (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive loss, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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, 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 or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Other Matter

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements 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 Fund's ability 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 the Fund or to cease operations, or has no realistic alternative but to do so.

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 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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, 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 Fund's internal control.
- 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 Fund's ability 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 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 the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 28, 2024

Next Edge Biotech and Life Sciences Opportunities Fund

Statements of financial position

As at December 31,	Notes	2023	2022
ASSETS			
Current assets			
Investments at fair value through profit or loss	5,6	9,736,473	9,571,963
Cash		426,939	532,214
Subscriptions receivable		21,000	49,020
Receivable for investments sold		128,916	468
Interest and other receivables		7,102	-
Dividends receivable		-	18,819
Total assets		10,320,430	10,172,484
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit or loss	5,6	161,857	12,872
Payable for investments purchased		35,734	80,016
Redemptions payable		37,365	29,586
Administration fee payable		22,260	866
Management fees payable	9,10	11,334	14,699
Harmonized Sales Tax payable		2,970	-
Total liabilities		271,520	138,039
Net assets attributable to holders of redeemable units		10,048,910	10,034,445
Net assets attributable to holders of redeemable units per class			
Class A		8,970	10
Class F		14,471	10
Class A1		2,350,528	3,881,473
Class F1		7,674,941	6,152,952
		10,048,910	10,034,445
Number of redeemable units outstanding per class			
Class A	7	1,000	1
Class F	7	1,615	1
Class A1	7	456,287	692,797
Class F1	7	1,439,736	1,072,820
Net assets attributable to holders of redeemable units per Unit			
Class A		8.97	10.00
Class F		8.96	10.00
Class A1		5.15	5.60
Class F1		5.33	5.74

Approved by Next Edge Capital Corp.



Robert Anton
President



David Scobie
Chief Operating Officer

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Statements of comprehensive loss

For the years ended December 31,	Notes	2023	2022
Income			
Interest income for distribution purposes		36,982	21,698
Foreign currency gain on cash and other net assets		14,253	34,143
Net realized gain (loss) on sale of investments		(1,571,700)	(2,762,060)
Net change in unrealized appreciation (depreciation) on investments	6	1,251,724	(1,769,334)
Net (loss) gain on investments		(319,976)	(4,531,394)
Total (loss) income		(268,741)	(4,475,553)
Expenses			
Transaction costs		314,280	319,424
Administrative fees		152,346	204,958
Audit fees		50,087	71,550
Legal fees		39,585	32,254
Management fees	9,10	30,027	49,042
Unitholder reporting costs		12,963	7,589
Independent review committee fees	10	18,747	23,315
Withholding tax		15,035	-
Harmonized sales tax		9,588	27,507
Custody fees		4,575	4,023
		647,233	739,662
Less: expenses absorbed by the Manager	10	(211,015)	(100,362)
Total expenses		436,218	639,300
(Decrease) Increase in net assets attributable to holders of redeemable units		(704,959)	(5,114,853)
(Decrease) Increase in net assets attributable to holders of redeemable units per class			
Class A		(1,030)	-
Class F		(2,198)	-
Class A1		(213,876)	(2,104,344)
Class F1		(487,855)	(3,010,509)
		(704,959)	(5,114,853)
Average number of units outstanding			
Class A		1,000	1
Class F		1,418	1
Class A1		553,393	665,631
Class F1		1,290,131	1,022,066
(Decrease) Increase in net assets attributable to holders of redeemable units per Unit			
Class A		(1.03)	-
Class F		(1.55)	-
Class A1		(0.39)	(3.16)
Class F1		(0.38)	(2.95)

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Statements of changes in net assets attributable to holders of redeemable units

For the years ended December 31,	2023	2022
<u>Class A</u>		
Beginning of year	10	-
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(1,030)	-
Proceeds and consideration received from issuance of units	9,990	10
End of year	8,970	10
<u>Class F</u>		
Beginning of year	10	-
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(2,198)	-
Proceeds and consideration received from issuance of units	16,659	10
End of year	14,471	10
<u>Class A1</u>		
Beginning of year	3,881,473	5,558,746
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(213,876)	(2,104,344)
Proceeds and consideration received from issuance of units	195,900	1,202,608
Consideration paid for redemption of units	(1,512,969)	(775,537)
End of year	2,350,528	3,881,473
<u>Class F1</u>		
Beginning of year	6,152,952	7,438,239
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(487,855)	(3,010,509)
Proceeds and consideration received from issuance of units	2,837,182	3,527,741
Consideration paid for redemption of units	(827,338)	(1,802,519)
End of year	7,674,941	6,152,952

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Statements of cash flows

For the years ended December 31,	2023	2022
Cash flows from operating activities		
(Decrease) Increase in net assets attributable to holders of redeemable Units	(704,959)	(5,114,853)
Adjustments in net assets attributable to holders to net cash from operating activities		
Proceeds from sale of investments	29,183,856	24,528,619
Purchase of investments	(29,692,087)	(25,973,331)
Foreign currency (gain) loss on cash and other net assets	(14,253)	(34,143)
Change in unrealized (appreciation) depreciation of investments	(1,251,724)	1,769,334
Net realized gain (loss) on sale of investments	1,571,700	2,761,721
Decrease (Increase) in interest receivable and other receivables	11,717	(10,490)
Increase (decrease) in other payables and accrued liabilities	20,999	(53,392)
Net cash used in operating activities	(874,751)	(2,126,535)
Cash flows from financing activities		
Proceeds from redeemable units issued	3,087,751	4,686,349
Amount paid on redemption of redeemable units	(2,332,528)	(2,572,345)
Net cash provided by financing activities	755,223	2,114,004
Foreign currency gain (loss) on cash and other net assets	14,253	34,143
Net (decrease) increase in cash	(105,275)	21,612
Cash, beginning of year	532,214	510,602
Cash, end of year	426,939	532,214
Supplemental disclosure of cash flow information:		
Interest received	48,699	11,208

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Schedule of investments

As at December 31, 2023

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	Long Positions (96.9%)		
	Canadian equities (8.2%)		
	Healthcare Equipment & Services (0.6%)		
610,000	Imagin Medical Inc.	263,039	30,500
250,000	Imagin Medical Inc., Warrants, October 22, 2025 - Strike Price \$0.03	-	1,595
250,000	Imagin Medical Inc., Warrants, October 22, 2025 - Strike Price \$0.025	-	1,885
1,948,000	SQI Diagnostics Inc.	425,118	29,220
15,000	Titan Medical Inc., Warrants, January 26, 2026 - Strike Price \$2.00 USD	-	567
	Healthcare Equipment and Services Total	688,157	63,767
	Pharmaceuticals, Biotechnology and Life Sciences (7.6%)		
16,000	Aurinia Pharmaceuticals Inc.	199,821	189,667
1,334,500	Cognetivity Neurosciences Ltd.	350,461	20,018
345,000	Cognetivity Neurosciences Ltd., Private Placement	100,050	5,175
235,000	Medicenna Therapeutics Corp.	371,352	98,700
550,000	Microbix Biosystems Inc.	272,759	214,500
75,000	Microbix Biosystems Inc., Warrants, May 19, 2024 - Strike Price \$0.80	13,500	-
1,305,000	ProMIS Neurosciences Inc., Warrants, January 22, 2024 - Strike Price \$0.48	30,433	-
500,000	ProMIS Neurosciences Inc., Warrants, December 30, 2024 - Strike Price \$0.35	18,645	-
115,500	Sernova Corp.	99,351	80,850
350,000	Spectral Medical Inc.	112,752	148,750
750,000	Virotek Biosciences Inc., Private Placement	150,000	-
	Pharmaceuticals, Biotechnology and Life Sciences Total	1,719,124	757,660
	Total Canadian Equities	2,407,281	821,427
	Canadian Bond (2.5%)		
200,000	Imagin Medical Inc., Private Bond, September 30, 2024	255,161	254,430
	Canadian Bond Total	255,161	254,430
	Total Canadian Equities and Bond	2,662,442	1,075,857

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Schedule of investments (continued)

As at December 31, 2023

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	United States Equities (64.6%)		
	Healthcare Equipment & Services (12.1%)		
22,500	ClearPoint Neuro Inc.	274,079	201,449
55,000	Delcath Systems Inc.	292,689	301,696
10,852	Delcath Systems Inc., Warrants, December 24, 2024 - Strike Price \$23.04 USD	161,282	3,343
51,842	Neuraxis Inc.	185,644	182,518
90,000	Rapid Micro Biosystems Inc.	153,543	87,819
7,000	Schrodinger Inc.	229,610	330,441
225,000	Vicarious Surgical Inc.	345,409	107,993
	Healthcare Equipment and Services Total	1,642,256	1,215,259
	Pharmaceuticals, Biotechnology and Life Sciences (52.5%)		
35,000	GT Biopharma Inc., Warrants, February 16, 2026 - Strike Price \$5.50 USD	-	2
4,500	10X Genomics Inc.	299,910	332,050
34,000	Actinium Pharmaceuticals Inc.	223,121	227,749
60,000	Acumen Pharmaceuticals Inc.	261,462	303,805
2,300	Apellis Pharmaceuticals Inc.	154,850	181,542
75,000	Arcutis Biotherapeutics Inc.	263,275	319,431
1,000	Biogen Inc.	315,535	341,214
105,000	Bluebird Bio Inc.	261,835	191,065
350,000	Clene Inc.	276,108	136,884
40,000	Cognition Therapeutics Inc.	95,807	97,576
50,000	Corvus Pharmaceuticals Inc.	107,146	116,037
90,000	Eledon Pharmaceuticals Inc.	250,972	213,613
1,000	Madrigal Pharmaceuticals Inc.	225,318	305,098
400,000	Nektar Therapeutics	357,546	298,004
36,198	NeuroBo Pharmaceuticals Inc.	180,867	176,126
24,500	Pacific Biosciences of California Inc.	222,328	316,919
65,000	Personalis Inc.	149,711	179,989
32,000	Phathom Pharmaceuticals Inc.	390,369	385,242
130,000	Protalix BioTherapeutics Inc.	344,153	305,124
20,000	RenovoRx Inc., Warrants, August 30, 2026 - Strike Price \$10.80 USD	253	6,303
40,000	Reviva Pharmaceuticals Holdings Inc.	237,611	271,632
225,000	Sangamo Therapeutics Inc.	364,813	161,189
300,000	Synaptogenix Inc.	348,420	107,558
12,000	Viking Therapeutics Inc.	181,617	294,470
	Pharmaceuticals, Biotechnology and Life Sciences Total	5,513,027	5,268,622
	Total United States Equities	7,155,283	6,483,881

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Schedule of investments (continued)

As at December 31, 2023

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	United States Bond (1.3%)		
100,000	IntelGenx Technologies Corp., Private Bond, October 31, 2024	127,774	131,860
	United States Bond Total	127,774	131,860
	Total United States Equities & Bond	7,283,057	6,615,741
	International Equities (14.4%)		
	Pharmaceuticals, Biotechnology and Life Sciences (12.9%)		
18,000	Avadel Pharmaceuticals PLC, ADR	323,453	335,135
2,500	CRISPR Therapeutics AG	201,557	206,361
21,000	Exscientia Plc	169,656	177,497
20,000	MeiraGTx Holdings PLC	223,540	185,131
15,000	Verona Pharma PLC, ADR	345,138	393,208
	Pharmaceuticals, Biotechnology and Life Sciences Total	1,263,344	1,297,332
	Healthcare Equipment & Services (1.5%)		
150,000	ReWalk Robotics Ltd.	142,652	153,821
	Healthcare Equipment & Services Total	142,652	153,821
	Total International Equities	1,405,996	1,451,153
	Total Equities and Bonds	11,351,495	9,142,751
	Options (5.9%)		
	Purchased options (see options details)	534,072	593,722
	Total Long Position	11,885,567	9,736,473
	Short Position (-1.6%)		
	Written options (see options details)	(98,868)	(161,857)
	Total short position	(98,868)	(161,857)
	Transaction costs	(57,535)	
	Total investment portfolio and options (95.3%)	11,729,164	9,574,616
	Cash (4.2%)		426,939
	Other assets net of liabilities (0.5%)		47,355
	Total net assets attributable to holders of redeemable units (100.0%)		10,048,910

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Schedule of investments (continued)

As at December 31, 2023

Option Details

Underlying Interest	Option Type	Number of Options	Strike Price (USD)	Expiry Date	Average Cost (\$)	Fair Value (\$)
Purchased Options						
AGIOS PHARMACEUTICALS INC@25 CALL OPT 16 FEB 24	Call	183	25	February 16, 2024	12,065	9,049
CYTOKINETICS INC@100 CALL OPT 16 FEB 24	Call	125	100	February 16, 2024	43,266	67,578
EDITAS MEDICINE INC@10 CALL OPT 16 FEB 24	Call	150	10	February 16, 2024	42,690	26,207
EXELIXIS INC@25 CALL OPT 16 FEB 24	Call	750	25	February 16, 2024	108,894	108,784
INTELLIA THERAPEUTICS INC@35 CALL OPT 16 FEB 24	Call	100	35	February 16, 2024	28,844	20,768
INTRA-CELLULAR THERAPIES INC@75 CALL OPT 16 FEB 24	Call	150	75	February 16, 2024	46,475	106,806
INVESCO CURRENCYSHARES CAN@73 CALL OPT 15 MAR 24	Call	750	73	March 15, 2024	95,325	123,619
LEGEND BIOTECH CORP@70 CALL OPT 16 FEB 24	Call	200	70	February 16, 2024	39,070	25,950
PROTHENA CORP PLC@55 CALL OPT 19 JAN 24	Call	50	55	January 19, 2024	43,475	30,657
VIKING THERAPEUTICS INC@22 CALL OPT 16 FEB 24	Call	100	22	February 16, 2024	25,713	23,076
Total Purchased Call Options					485,817	542,494
INVESCO QQQ TRUST SERIES 1@390 PUT OPT 09 FEB 24	Put	150	390	February 9, 2024	48,255	51,228
Total Purchased Put Options					48,255	51,228
Total Purchased Options					534,072	593,722

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Schedule of investments (continued)

As at December 31, 2023

Underlying Interest	Option Type	Number of Options	Strike Price (USD)	Expiry Date	Average Cost (\$)	Fair Value (\$)
Written Options						
10X GENOMICS INC@60 CALL OPT 19 JAN 24	Call	(30)	60	January 19, 2024	(4,549)	(3,461)
APELLIS PHARMACEUTICALS INC@65 CALL OPT 19 JAN 24	Call	(22)	65	January 19, 2024	(12,946)	(13,779)
CYTOKINETICS INC@115 CALL OPT 16 FEB 24	Call	(125)	115	February 16, 2024	(13,636)	(31,317)
INTRA-CELLULAR THERAPIES INC@90 CALL OPT 16 FEB 24	Call	(150)	90	February 16, 2024	(5,560)	(64,776)
MADRIGAL PHARMACEUTICALS@240 CALL OPT 19 JAN 24	Call	(10)	240	January 19, 2024	(18,948)	(15,032)
PROTHENA CORP PLC@75 CALL OPT 19 JAN 24	Call	(50)	75	January 19, 2024	(23,061)	(14,999)
SCHRODINGER INC/UNITED@40 CALL OPT 19 JAN 24	Call	(30)	40	January 19, 2024	(5,735)	(3,362)
Total Written Call Options					(84,435)	(146,726)
INVESCO QQQ TRUST SERIES 1@365 PUT OPT 09 FEB 24	Put	(150)	365	February 9, 2024	(14,433)	(15,131)
Total Written Put Options					(14,433)	(15,131)
Total Written Options					(98,868)	(161,857)
Total Options					435,204	431,865

The accompanying notes are an integral part of these financial statements

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements

1. FUND INFORMATION

Next Edge Biotech and Life Sciences Opportunities Fund (the “Fund”) is a mutual fund established as a trust under the laws of the Province of Ontario and governed by a declaration of trust dated November 3, 2020. The Fund is divided into units of participation (“Units”) representing an interest in the Fund held by Unitholders. Effective October 14, 2022, the Fund has four classes of Units: Class A1 Units (formerly Class A Units), Class F1 Units (formerly Class F units), Class A Units, and Class F units. The Fund may have an unlimited number of classes of units and may issue an unlimited number of Units of each class. All classes of Units of the Fund are redeemable at the unitholders' option. Each class of Units is intended for different types of investors. All of the classes of Units have the same investment strategy and restrictions but differ with respect to one or more of their features, such as management fees, expenses, redemption fees, commissions or distributions. The net asset value per unit (“NAV per unit”) of each class is not the same as a result of the different fees, expenses and distributions allocable to each class of Units.

The Fund seeks short and long-term capital appreciation through the ownership of biotechnology and life sciences companies. Investments by the Fund may be made globally. The Fund started investing according to its investment objective on December 22, 2020.

Effective October 14, 2022, formerly Class A Units were renamed Class A1 Units, formerly Class F Units were renamed Class F1 Units, and new Class A and F Units were created. Class A Units and Class F Units began pricing January 3, 2023.

The Fund is managed by Next Edge Capital Corp. (the “Manager”). The custodian, registrar, transfer agent and valuation agent of the Fund is RBC Investor Services Trust. The registered office of the Fund is located at 1 Toronto Street, Suite 200, Toronto, Ontario, Canada, M5C 2V6.

The financial statements were approved for issuance by the Manager on March 28, 2024.

2. BASIS OF PREPARATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The financial statements have been prepared on a going concern basis using the historical-cost convention. However, the Fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, the Fund’s accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the NAV for transactions with unitholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates.

The financial statements have been presented in Canadian dollars, the Fund’s functional currency.

3. MATERIAL ACCOUNTING POLICIES

Amendments to IAS 1, *Presentation of financial statements*, and IFRS *Practice Statement 2, Making materiality judgements*, both effective for periods beginning on or after January 1, 2023, applicable prospectively, require that entities disclose material accounting policy information instead of significant accounting policies. The amendments did not have a material impact on the disclosure of the Fund’s accounting policies.

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments are designated as fair value through profit or loss ("FVTPL") upon initial recognition and are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. 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.

Financial instruments include financial assets and liabilities such as equity securities, open-ended investment funds and derivatives, cash and other trade receivables and payables. All financial assets and liabilities are recognized in the statements of financial position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership.

Classification and measurement

The Fund classifies and measures financial instruments in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). The standard requires financial assets to be classified as amortized cost, FVTPL, or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgment. The Fund classifies investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess performance and to make decisions. Consequently, all investments are measured at FVTPL.

More specifically, the Fund's investments, derivative assets and liabilities, and short sales, if any, are measured at FVTPL. The Fund's obligation for NAV attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are initially recognized at fair value and subsequently measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The fair values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

Impairment

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets that are measured at amortized cost or FVOCI. Financial assets held by the Fund that are measured at FVTPL will not be subject to the impairment requirements.

With respect to receivables, the Fund considers both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement date, all receivables are due to be settled within the short term. The Fund considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. No loss allowance has been recognized as any such impairment will not have a material impact on the financial statements.

Fair value and subsequent measurement of financial instruments

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 values of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

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. Unlisted securities are determined by the Manager on the basis of the latest reported information available. Fixed income securities, debentures and other debt instruments, including short-term investments, are valued at the quotation from recognized investment dealers.

The Fund may engage in option contract transactions by purchasing (long positions) or writing (short positions) call or put option contracts. These contracts have different risk exposures for the Fund: whereas the risk for long positions will be limited to the premium paid to purchase the option contracts, the risk exposure for short positions is potentially unlimited until closed or expired.

The premium paid for purchasing an option is recorded as an asset in the statements of financial position. The premium is valued as at the close of business on every business day, or, if not a business day, on the following business day and on any other day as the Manager determines (a "Valuation Date") at an amount equal to the fair value of the option that would have the effect of closing the position. The change in the difference between the premium and the fair value is shown as "Net change in unrealized appreciation (depreciation) on investments" in the statements of comprehensive loss. When a purchased option expires, the Fund will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the Fund will realize will be the difference between the proceeds and the premium paid. When a purchased call option is exercised, the premium paid is added to the cost of acquiring the underlying security. When a purchased put option is exercised, the premium paid is subtracted from the proceeds from the sale of the underlying security that had to be sold.

The premium received from writing a call or put option is recorded as a liability in the statements of financial position. When a written option expires, the Fund will realize a gain equal to the premium received. When a written option is closed, the Fund will realize a gain or loss equal to the difference between the cost at which the contract was closed and the premium received. When a written call option is exercised, the premium received is added to the proceeds from the sale of the underlying investments to determine the realized gain or loss. When a written put option is exercised, the premium received will be subtracted from the cost of the underlying investment the Fund had purchased. The gain or loss that the Fund realizes when a purchased or written option is expired or closed is recorded as "Net realized gain (loss) on sale of investments" in the statements of comprehensive loss.

All unlisted warrants have been valued using the Black-Scholes model.

Net assets attributable to holders of redeemable units

Net assets attributable to holders of redeemable units are classified as financial liabilities and are redeemable at the unitholder's option at prices based on the Fund's NAV per unit at the time of redemption. The amounts are continuously measured at their redemption value.

The NAV measured as at the Valuation Date will be obtained by the valuation agent by taking the then fair value of the assets of the Fund less the aggregate amount of its liabilities excluding those attributable to holders of redeemable units. The NAV per unit of any class of units of the Fund for a Valuation Date will be obtained by dividing the then fair value of the assets of the Fund less the aggregate amount of its liabilities (excluding those attributable to holders of redeemable units) in each case attributable to that class of units, by the total number of units of the class outstanding at the time the calculation is made on the Valuation Date and adjusting the result to a maximum of four decimal places.

For each Fund unit sold, the Fund receives an amount equal to the NAV per unit, on the date of the transaction. Units are redeemable at the option of the unitholders at their NAV per unit on the redemption date. For each unit redeemed, the number of issued and outstanding units is reduced and the net assets attributable to holders of redeemable units are reduced by the related NAV on the date of redemption.

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

The calculation of the value of net assets attributable to holders of redeemable units for financial statement purposes in accordance with IFRS is consistent with the calculation of the NAV for transactional purposes.

Investment transactions and income recognition

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Interest income for distribution purposes is recorded as it is earned.

Dividend revenue is recognized when the Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statements of comprehensive loss.

"Interest income for distribution purposes" shown on the statements of comprehensive loss represents the coupon interest received by the Fund accounted for on an accrual basis.

Realized gains and losses from security transactions are calculated using the average cost basis.

The year-over-year change in the difference between fair value and the average cost is shown as the net change in unrealized appreciation (depreciation) on investments.

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities by the Fund are charged to net income in the year.

Functional and presentation currency

The Fund's functional and presentation currency is the Canadian dollar ("CAD"), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in CAD. Therefore, the CAD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's subscriptions and redemptions are denominated in CAD.

The fair value of foreign-currency-denominated portfolio investments, foreign currency holdings and other assets and liabilities denominated in a foreign currency are translated into the Fund's reporting currency using the closing rate of exchange on each valuation date. Income, expenses and investment transactions in foreign currencies are translated into the Fund's reporting currency at the rate of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains (losses) relating to cash, receivables and payables are presented as "Foreign currency gain (loss) on cash and other net assets" and those relating to financial instruments classified as held for trading and FVTPL are presented within "Net realized gain (loss) on sale of investments" and "Net change in unrealized appreciation (depreciation) on investments" in the statements of comprehensive loss.

Cash

Cash comprises deposits with financial institutions.

Net assets attributable to holders of redeemable units per unit

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of the class by the weighted average number of units outstanding of the class during the year.

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

Income and expense allocation

The realized and unrealized gains or losses, income, and expenses (other than class-specific operating expenses and management fees) of the Fund are allocated on each Valuation Date to the redeemable participating unitholders in proportion to the respective prior day's NAV, which includes redeemable participating unitholder trades dated for that day, of each class at the date on which the allocation is made. Class-specific operating expenses and management fees are applied to the corresponding classes accordingly. All operating expenses are paid by the Manager and are collected from the Fund on a recoverable basis.

Taxation

The Fund is a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statements of financial position as a deferred income tax asset. See note 8.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no standards issued but not yet effective up to the date of issuance of the financial statements that are expected to have a material impact on the Fund. The Fund will adopt any new or amended standards when they become effective.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

Fair value measurement of investments and derivatives not quoted in active market

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as unlisted securities, private securities or derivatives. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. The fair value of private securities is determined by using valuation models that may be based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indications of value. These values are independently assessed by the Manager to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for these securities may be materially different from the values that would have been used had a ready market for the investment existed.

The fair values of private securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

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.

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

6. FINANCIAL INSTRUMENTS RISK AND RISK MANAGEMENT

The Fund's activities expose it to a variety of risks as follows: portfolio concentration risk, biotechnology industry risk, credit risk, interest rate risk, liquidity risk and market risk (which includes currency risk and other price risk that encompasses biotechnology and life sciences sector risk). The Fund is also exposed to borrowing risk, counterparty risk, cybersecurity risk, derivatives risk, equity securities risk, exchange of tax information risk, legislation and litigation risk, leverage risk, multiple class risk, options risk, price volatility risk, repurchase and reverse repurchase transactions and securities lending risk, sector risk, short selling risk, stock market risk, substantial securityholder risk, and tax risk.

The Fund's portfolio manager intends to generate long-term appreciation for the Fund by way of alpha by active stock selection within the sector, rather than relying on passive beta and movement of the sector. The Fund's portfolio manager focuses on companies in the early to later stages of clinical development or early commercialization that meet specific proprietary criteria and whose data has been subjected to peer-reviewed analysis. In general, the Fund invests in equities of companies that are of smaller capitalization than those that make up the NASDAQ Biotechnology Index. The equities that the Fund invests in tend to offer more potential upside and are generally more volatile than those that comprise the indices cited above. The Fund also employs derivatives to reduce the volatility of a traditionally volatile sector, to generate income and for return enhancement (see the Schedule of investments).

Portfolio concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is a geographical allocation, asset type, industry sector or counterparty. As the Fund's mandate is to invest predominantly in the biotechnology and healthcare sectors in Canada and the United States, the Fund is exposed to risks specific to the biotechnology and healthcare sectors, which are discussed below. Please refer to the schedule of investments for a listing of the Fund's portfolio.

The following tables summarize the investment concentration risks that are relevant for the Fund based on its investment objective. The investment portfolio of the Fund may change due to ongoing portfolio transactions.

Portfolio by Asset Mix	% of Net Asset Value	
	2023	2022
United States equities	64.6%	65.4%
Canadian equities	8.2%	15.6%
International equities	14.4%	7.0%
Equity options	4.3%	3.5%
Canadian bond	2.5%	2.5%
United States bond	1.3%	1.4%
Total investments	95.3%	95.4%
Cash	4.2%	5.2%
Other net assets (liabilities)	0.5%	(0.6%)
Total net asset value	100.0%	100.0%

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

Portfolio by Industry	% of Net Asset Value	
	2023	2022
Pharmaceuticals, biotechnology, and life sciences	74.3%	65.5%
Healthcare equipment and services	16.7%	24.1%
Other	4.3%	3.5%
Diversified Financials	-	1.4%
Commercial and Professional Services	-	0.9%
Total investments	95.3%	95.4%
Cash	4.2%	5.2%
Other net assets (liabilities)	0.5%	(0.6%)
Total net asset value	100.0%	100.0%

Portfolio by Country	% of Net Asset Value	
	2023	2022
United States	70.2%	65.7%
Canada	10.7%	21.7%
International	14.4%	7.0%
Total investments	95.3%	95.4%
Cash and cash equivalents	4.2%	5.2%
Other net assets (liabilities)	0.5%	(0.6%)
Total net asset value	100.0%	100.0%

Credit risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration for the creditworthiness of the debt issuer. The carrying amount of debt instruments as shown on the schedule of investments represents the credit risk exposure of the Fund. Credit risk exposure for derivative instruments is based on the Fund's unrealized gain on the contractual obligations with the counterparty as at the reporting date. The credit risk exposure of the Fund's other assets is represented by their carrying amount as disclosed in the statements of financial position.

As at December 31, 2023, the Fund had \$386,290 (2022: \$389,926) exposure to two (2022: two) convertible debt instruments, which are both unrated bonds.

The counterparty to all of the Fund's options transactions is Bank of Montreal, which has an S&P credit rating of A-1 on their short-term debt.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of assets and future cash flow. As at December 31, 2023, the Fund has \$386,290 (2022: \$389,926) exposure to two (2022: two) convertible debt instruments.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to daily cash redemptions. The Fund's policy is to have a majority of its portfolio investments in securities traded on exchanges that are liquid (i.e., investments that can be readily disposed of through market facilities).

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

The Fund may invest in derivatives, debt securities and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts that approximate their fair values or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with the Fund's policy, the Manager monitors the Fund's liquidity position on a daily basis. The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

December 31, 2023

Financial liabilities	On demand	< 3 months	Total
Financial liabilities at FVTPL	161,857	-	161,857
Payable for investments purchased	35,734	-	35,734
Redemptions payable	37,365	-	37,365
Administrative fees payable	-	22,260	22,260
Management fees payable	-	11,334	11,334
HST payable	-	2,970	2,970
	234,956	36,564	271,520

December 31, 2022

Financial liabilities	On demand	< 3 months	Total
Financial liabilities at FVTPL	12,872	-	12,872
Payable for investments purchased	80,016	-	80,016
Redemptions payable	29,586	-	29,586
Administration fees payable	-	866	866
Management fees payable	-	14,699	14,699
	122,474	15,565	138,039

Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

Market risk

The Fund's investments are subject to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following includes sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ, and the differences could be material.

(a) Currency risk

The Fund invests in financial instruments denominated in currencies other than CAD. These investments result in currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31, 2023 and December 31, 2022 in CAD terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if CAD had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

December 31, 2023	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary
United States dollar	221,668	8,784,640	9,006,308	11,083	439,232	450,315
% of net assets attributable to holders of redeemable units	2.2%	87.4%	89.6%	0.1%	4.4%	4.5%

December 31, 2022	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary
United States dollar	288,573	7,688,897	7,977,470	14,429	384,445	398,874
% of net assets attributable to holders of redeemable units	2.8%	75.5%	78.3%	0.1%	3.8%	3.9%

(b) Other price risk

Other price risk is the risk that the value of portfolio investments will fluctuate as a result of changes in market prices, other than those arising from interest rate or currency risk, whether caused by factors specific to an individual portfolio investment or all factors affecting all investments traded in a market or market segment. All portfolio investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. Please refer to the schedule of investments for a breakdown of the NAV of the Fund by security and geographic allocation. Sensitivity against the benchmark was not included as there is an insufficient period of trading to statistically create a meaningful correlation between the performance of the Fund's portfolio investments to the relevant benchmark.

(c) Biotechnology and life sciences sector risk

Companies within the biotechnology and life sciences industry invest heavily in research and development that may not necessarily lead to commercially successful products. This industry is also subject to increased governmental regulation, which may delay or inhibit the release of new products. Many biotechnology companies are dependent upon their ability to use and enforce intellectual property rights and patents. Any impairment of such rights may have adverse financial consequences. Biotechnology companies can be characterized by competition and rapid technological developments that may make a company's products or services obsolete in a short period of time. The industry is also characterized by product liability lawsuits and consequential high insurance costs. The market values of investments in the biotechnology and life sciences industry are often based upon speculation and expectations about future products, research progress, and new product filings with regulatory authorities. Biotechnology stocks, especially those of smaller, less-seasoned companies, also tend to be more volatile than the overall market.

Fair value measurement

The table below presents financial instruments measured at fair value in the statements of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

As at December 31, 2023 and 2022, the financial instruments measured at fair value in the statements of financial position are grouped into the fair value hierarchy as follows:

December 31, 2023	Level 1	Level 2	Level 3	Total
Equities - long	8,688,354	38,887	29,220	8,756,461
Bonds - long	-	-	386,290	386,290
Purchased options	593,722	-	-	593,722
Written options	(161,857)	-	-	(161,857)
	9,120,219	38,887	415,510	9,574,616

December 31, 2022	Level 1	Level 2	Level 3	Total
Equities - long	8,708,112	110,874	-	8,708,112
Bonds - long	-	-	389,926	389,926
Purchased options	363,051	-	-	363,051
Written options	(12,872)	-	-	(12,872)
	9,058,291	110,874	389,926	9,559,091

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, dividends receivable, payable for investments purchased, redemptions payable, distributions payable, accrued liabilities and the Fund's obligation for net assets attributable to holders of redeemable units are measured at amortized cost. Fair values are classified as Level 1 when the related security or derivative is actively traded, and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. SQI Diagnostics became a distressed security and the Fund transferred \$29,220 equity holding in the company from Level 1 to Level 3. The company announced a notice of intention to file for voluntary bankruptcy. Although the company has not filed as of December 31, 2023, there is still doubt on the company's ability to continue as a going concern.

Investments classified as Level 3 are valued at fair value based on unobservable inputs and assumptions, which may include credit spreads, industry multipliers, and discount rates. Management has assessed that the effect of changing these inputs to reasonably possible alternatives would not have a significant impact on the net assets attributable to holders of redeemable shares of the Fund as at December 31, 2023 and 2022.

The following table presents the movement in Level 3 for the year ended December 31, 2023:

	Bonds - long	Equities - long
Balance, beginning	389,926	-
Transfer from Level 1	-	29,220
Net change in unrealized depreciation in fair value	(3,636)	-
Balance, ending	386,290	29,220

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

The following table presents the movement in Level 3 for the year ended December 31, 2022:

	Bonds - long	Equities - long
Balance, beginning	380,745	150,000
Net change in unrealized appreciation (depreciation) in fair value	9,181	(150,000)
Balance, ending	389,926	-

Quantitative and qualitative information regarding the unobservable inputs for material Level 3 positions is given below:

Description	Fair value as at December 31, 2023	Fair value as at December 31, 2022	Valuation technique	Unobservable input
Private Bonds	386,290	389,926	Discounted cash flow	Interest rate

If the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased. The Fund's interest rate sensitivity was determined based on the weighted average duration of the portfolio. For the year ended December 31, 2023 and 2022, the weighted average duration of the two (2022: two) convertible debt instruments was one year. As at December 31, 2023, the Fund's exposure to interest rate risk given a 1% impact on net assets is \$3,007 (2022: \$4,118).

7. REDEEMABLE UNITS

For the years ended December 31, 2023 and 2022, the Fund offered four classes of redeemable units: Class A, Class F, Class A1 units (formerly Class A) and Class F1 units (formerly Class F). The class of Units selected affects the commissions that were payable by an investor, the management fees payable by the Fund, and the compensation that a dealer received in respect of the sale of Units.

All of the classes have the same investment objective, strategy and restrictions but differ in respect of one or more features, such as the management fee, sales commission, and service commission. The NAV per unit of each class would not necessarily be the same as a result of the different fees, expenses and distributions allocable to each class of Units. The Fund and the Manager do not charge a fee or commission when investors purchase Units of the Fund. An authorized broker, dealer or advisor may charge investors an upfront selling commission of up to 3.00% at the time of purchase of Class A1 units (formerly Class A), which would reduce the amount of money invested in the Class A1 units (formerly Class A) Units of the Fund.

The number of units issued, redeemed or cancelled during the years ended December 31, 2023 and 2022 for each respective class is summarized in the following tables.

For the years ended December 31,	2023	2022
Class A		
Balance, beginning	1	-
Units issued for cash	999	1
Balance, ending	1,000	1

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

For the years ended December 31,	2023	2022
Class F		
Balance, beginning	1	-
Units issued for cash	1,614	1
Balance, ending	1,615	1
Class A1		
Balance, beginning	692,797	624,996
Units issued for cash	39,076	179,759
Units redeemed	(275,586)	(111,958)
Balance, ending	456,287	692,797
Class F1		
Balance, beginning	1,072,820	827,080
Units issued for cash	525,408	520,811
Units redeemed	(158,492)	(275,071)
Balance, ending	1,439,736	1,072,820

Capital management

The capital of the Fund is represented by net assets attributable to holders of redeemable units. As a result of the ability to issue and redeem redeemable Units, the capital of the Fund can vary depending on the demand for redemptions from and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemptions of redeemable Units other than those set out in its Simplified Prospectus.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in the Simplified Prospectus;
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise; and
- To maintain sufficient size to make the operation of the Fund cost-efficient.

Reconciliation of valuation to Net Asset Value

As at December 31, 2023, there was no difference between the Net Assets as per the financial statements and the NAV for subscription and redemption purposes (valuation purpose), calculated in accordance with the offering memorandum.

As at December 31, 2022, there was a difference between the Net Assets as per the financial statements and the NAV for subscription and redemption purposes (valuation purpose), calculated in accordance with the offering memorandum.

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

December 31, 2022	Class A	Class F	Class A1	Class F1
Net Assets per financial statements	10	10	3,881,473	6,152,952
Redeemable units per financial statements	1	1	692,797	1,072,820
Net Assets per unit per financial statements	10.00	10.00	5.60	5.74
Net Assets per financial statements	10	10	3,881,473	6,152,952
Adjustment in fair value of equities	-	-	58,022	91,978
Net Asset Value per valuation	10	10	3,939,495	6,244,930
Redeemable units per valuation	1	1	692,797	1,072,820
Net Asset Value per unit per valuation	10.00	10.00	5.69	5.82

8. INCOME TAXES

The Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act and the Fund elected under the Tax Act to be a mutual fund trust from the date it was established.

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of amounts paid or payable to unitholders (whether in cash or in units) in the year. An amount will be considered to be payable to a unitholder in a taxation year if it is paid in the year by the Fund or the unitholder is entitled in that year to enforce payment of the amount. The Fund makes sufficient distributions in each year of its net income and net capital gains for tax purposes, thereby permitting the Fund to deduct sufficient amounts so that the Fund will generally not be liable in such year for non-refundable income tax under Part I of the Tax Act.

The Fund is entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of units during the year (the “Capital Gains Refund”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year, which may arise upon the disposition of securities in connection with the redemption of units.

If the Fund does have income for tax purposes that is in excess of any distributions paid or made payable to unitholders during the year and the net realized capital gains of the Fund, the tax on which would be recovered by the Fund in the year by reason of the capital gains refund provisions of the Tax Act, in order to ensure that the Fund will not generally be liable for income tax under Part I of the Tax Act.

As at December 31, 2023, the Fund had \$1,461,468 gross capital losses (2022: \$1,209,713) and \$5,687,780 non-capital losses for tax purposes (2022: \$3,278,544).

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

9. FEES AND OPERATING EXPENSES

Annual Management Fees (% of net asset value of the class of the Fund)	
Class	Management Fee^{1,2}
Class A Units	1.50%
Class F Units	0.50%
Class A1 Units	1.00%
Class F1 Units	0.00%

1. Plus applicable HST.
2. The Manager may from time to time, in its own discretion, waive a portion of the management fee resulting in a reduction of the management fee charged. To the extent a portion of the management fee is waived, the Manager reserves the right to stop such waiver at any time and without notice to, or the consent of, unitholders.

For its services to the Fund, the Manager is entitled to receive from the Fund a management fee (the “management fee”) at (up to) an annual rate of: (i) 1.50% of the portion of its NAV represented by the Class A Units, (ii) 0.50% of the portion of its NAV represented by the Class F Units, (iii) 1.00% of the portion of its NAV represented by the Class A1 Units, and (iv) \$nil of the portion of NAV represented by the Class F1 Units, calculated daily and paid monthly in arrears, plus applicable taxes. The Manager uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund’s Units.

The Fund pays all its own operating expenses. These include but are not limited to brokerage commissions and fees, taxes, audit fees, legal fees and expenses, safekeeping, registrar and transfer agent fees, trustee and custodial fees, interest expenses, administrative costs, regulatory participation fees, investor servicing costs and costs of financial and other reports to investors, as well as prospectuses.

The Chair of the Independent review committee currently receives an annual retainer of \$12,000 and the other independent review committee members an annual retainer of \$9,000, plus reimbursement of expenses, and all such fees and expenses of the Independent review committee will be paid by the Manager’s funds pro rata based on the amount of time spent on each of the funds’ business.

The Manager may, from time to time, in its sole discretion, pay all or a portion of any additional expenses which would otherwise be payable by the Fund. See note 10.

Each class of Units is responsible for the expenses specifically related to that class and a proportionate share of the expenses that are common to all classes of Units.

Brokerage commissions and soft dollars

For the year ended December 31, 2023, \$59,105 (2022: \$42,636) of “soft dollars”, in which a brokerage firm is paid for its services through commission revenue by executing trades at the brokerage, were used to pay for operating expenses of the Fund.

Performance fees

The Fund will pay to the Manager, in respect of each fiscal quarter of the Fund, a performance fee equal to 20% of the gain in the NAV per Unit of a Class of Units of the Fund, accrued for on a daily basis, over the preceding fiscal quarter or quarters since a performance fee was last payable, provided that the NAV per Unit of the Fund (including

Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the financial statements (continued)

distributions) is greater than all previous values at the end of each previous fiscal quarter in which a performance fee was paid.

10. RELATED PARTY TRANSACTIONS

The Fund's investment activities are managed by Next Edge Capital Corp.

(a) Management and performance fees

Under the terms of the investment management agreement, the Fund appointed the Manager to provide management services (note 9). Total management fees for the year ended December 31, 2023 amounted to \$30,027 (2022: \$49,042) and are reported in the statements of comprehensive loss, with \$11,334 in outstanding accrued fees due to the Manager as at December 31, 2023 (2022: \$14,699) reported in the statements of financial position.

Total performance fees for the year ended December 31, 2023 amounted to \$nil (2022: \$nil) and are reported in the statements of comprehensive loss, with \$nil (2022: \$nil) in outstanding accrued fees due to the Manager as at December 31, 2023 reported in the statements of financial position.

(b) Operating expenses

For the year ended December 31, 2023, the Manager absorbed expenses of \$211,015 (2022: \$100,362) shown in the statements of comprehensive loss. The Manager absorbs expenses at its sole discretion and may cease to absorb expenses at any time.

(c) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee attributable to the Fund during the year ended December 31, 2023 was \$18,747 (2022: \$23,315).

11. GLOBAL TENSIONS

The ongoing military conflicts in different parts of the world have continued to negatively impact regional and global financial markets and economies. The adverse effects include, but are not limited to, significant market volatility, inflationary pressures, increase in interest rates, increase in credit risk, strain on commodity markets, foreign currency exchange rate volatility and disruption of business operations. In light of the current environment of heightened uncertainty and market volatility, the Manager continues to closely monitor its impact on the Fund's risk exposures.

Next Edge Biotech and Life Sciences Opportunities Fund

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