

# Next Edge Biotech and Life Sciences Opportunities Fund

Unaudited Semi-Annual Financial Statements – 2023  
As at and for the six months ended June 30, 2023



NEXTEGE  
CAPITAL

Next Edge Biotech and Life Sciences Opportunities Fund  
Unaudited semi-annual financial statements  
June 30, 2023

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## 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 unaudited semi-annual financial statements and all the information in this report. These unaudited semi-annual financial statements have been approved by the Board of Directors of Next Edge Capital Corp., as Manager and Trustee. The unaudited semi-annual financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* 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 unaudited semi-annual 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.  
August 29, 2023

Next Edge Biotech and Life Sciences Opportunities Fund  
Statements of financial position (unaudited)

As at	Notes	June 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Investments at fair value through profit or loss	5,6	10,235,111	9,571,963
Cash		117,631	532,214
Subscriptions receivable		6,000	49,020
Receivable for investments sold		-	468
Interest and other receivables		4,932	18,819
Dividends receivable		-	-
		<b>10,363,674</b>	<b>10,172,484</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Written options liability at fair value through profit or loss	5,6	19,849	12,872
Payable for investments purchased		5,120	80,016
Redemptions payable		-	29,586
Administration fee payable		31,850	866
Management fees payable	9,10	8,510	14,699
HST payable		3,315	-
<b>Total liabilities</b>		<b>68,644</b>	<b>138,039</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>10,295,030</b>	<b>10,034,445</b>
<b>Net assets attributable to holders of redeemable units per class</b>			
Class A <sup>1</sup>		9,524	10
Class F <sup>1</sup>		15,277	10
Class A1 <sup>1</sup>		2,891,531	3,881,473
Class F1 <sup>1</sup>		7,378,698	6,152,952
		<b>10,295,030</b>	<b>10,034,445</b>
<b>Number of redeemable units outstanding per class</b>			
Class A <sup>1</sup>	7	1,000	1
Class F <sup>1</sup>	7	1,615	1
Class A1 <sup>1</sup>	7	530,375	692,797
Class F1 <sup>1</sup>	7	1,314,981	1,072,820
<b>Net assets attributable to holders of redeemable units per unit</b>			
Class A <sup>1</sup>		9.52	10.00
Class F <sup>1</sup>		9.46	10.00
Class A1 <sup>1</sup>		5.45	5.60
Class F1 <sup>1</sup>		5.61	5.74

1. Effective October 14, 2022, formerly Class A units were renamed Class A1, formerly Class F units were renamed Class F1, and new Class A and F units were created.

Approved by Next Edge Capital Corp.



Robert Anton  
President



David Scobie  
Chief Operating Officer

Next Edge Biotech and Life Sciences Opportunities Fund  
Statements of comprehensive loss (unaudited)

For the six months ended June 30,	Notes	2023	2022
<b>Income (loss)</b>			
Interest income for distribution purposes		17,800	12,617
Foreign currency gain (loss) on cash and other net assets		(3,144)	11,161
Net realized gain (loss) on sale of investments		(134,474)	(1,653,889)
Net unrealized appreciation (depreciation) on investments	6	65,899	(2,310,774)
Net gain (loss) on investments		(68,575)	(3,964,663)
<b>Total income (loss)</b>		<b>(53,919)</b>	<b>(3,940,885)</b>
<b>Expenses</b>			
Management fees	9,10	18,693	22,898
Administrative fees		52,211	86,020
Unitholder reporting costs		12,280	2,598
Audit fees		22,766	21,625
Custody fees		2,347	1,924
Legal fees		20,199	19,563
Independent Review Committee fees	10	9,290	14,025
Harmonized Sales Tax		5,045	16,476
Withholding tax		15,035	-
Transaction costs		146,558	145,962
		304,424	331,091
Less: expenses absorbed by the Manager		(86,100)	-
<b>Total expenses</b>		<b>218,324</b>	<b>331,091</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>(272,243)</b>	<b>(4,271,976)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class</b>			
Class A <sup>1</sup>		(476)	-
Class F <sup>1</sup>		(1,392)	-
Class A1 <sup>1</sup>		(58,870)	(1,770,163)
Class F1 <sup>1</sup>		(211,505)	(2,501,813)
		<b>(272,243)</b>	<b>(4,271,976)</b>
<b>Average number of units outstanding</b>			
Class A <sup>1</sup>		1,000	-
Class F <sup>1</sup>		1,217	-
Class A1 <sup>1</sup>		635,080	644,305
Class F1 <sup>1</sup>		1,206,844	934,298
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit</b>			
Class A <sup>1</sup>		(0.48)	-
Class F <sup>1</sup>		(1.14)	-
Class A1 <sup>1</sup>		(0.09)	(2.75)
Class F1 <sup>1</sup>		(0.18)	(2.68)

1. Effective October 14, 2022, formerly Class A units were renamed Class A1, formerly Class F units were renamed Class F1, and new Class A and F units were created.

Next Edge Biotech and Life Sciences Opportunities Fund  
Statements of changes in net assets attributable to holders of redeemable units (unaudited)

For the six months ended June 30,	2023	2022
<u>Class A</u>		
Beginning of period	10	-
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(476)	-
Proceeds from issuance of units	9,990	-
Consideration paid for redemption of units	0	-
<b>End of period</b>	<b>9,524</b>	<b>-</b>
<u>Class F</u>		
Beginning of period	10	-
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(1,392)	-
Proceeds from issuance of units	16,659	-
Consideration paid for redemption of units	-	-
<b>End of period</b>	<b>15,277</b>	<b>-</b>
<u>Class A1</u>		
Beginning of period	3,881,473	5,558,746
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(58,870)	(1,770,163)
Proceeds from issuance of units	83,000	756,750
Consideration paid for redemption of units	(1,014,072)	(487,274)
<b>End of period</b>	<b>2,891,531</b>	<b>4,058,059</b>
<u>Class F1</u>		
Beginning of period	6,152,952	7,438,239
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(211,505)	(2,501,813)
Proceeds from issuance of units	1,714,120	2,223,445
Consideration paid for redemption of units	(276,869)	(487,485)
<b>End of period</b>	<b>7,378,698</b>	<b>6,672,386</b>

Next Edge Biotech and Life Sciences Opportunities Fund  
 Statements of cash flows (unaudited)

For the six months ended June 30,	2023	2022
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(272,243)	(4,271,976)
<b>Adjustments to reconcile increase (decrease) in net assets attributable to holders to net cash from operating activities</b>		
Proceeds from sale of investments	13,765,300	11,238,173
Purchase of investments	(14,521,922)	(12,758,654)
Foreign currency (gain) loss on cash and other net assets	3,144	(11,161)
Change in unrealized (appreciation) depreciation of investments and derivatives	(65,899)	2,310,774
Net realized (gain) loss on sale of investments and derivatives	134,474	1,653,550
(Increase) decrease in interest receivable and other receivables	13,887	1,348
Increase (decrease) in other payables and accrued liabilities	28,110	22,829
<b>Net cash used in operating activities</b>	<b>(915,149)</b>	<b>(1,815,117)</b>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable units issued	1,824,237	3,040,606
Amount paid on redemption of redeemable units	(1,320,527)	(998,629)
<b>Net cash provided by financing activities</b>	<b>503,710</b>	<b>2,041,977</b>
Foreign currency gain (loss) on cash and other net assets	(3,144)	11,161
Net increase (decrease) in cash	(414,583)	238,021
Cash, beginning of period	532,214	510,602
<b>Cash, end of period</b>	<b>117,631</b>	<b>748,623</b>
Cash comprises:		
Cash at bank	117,631	748,623
Supplemental disclosure of cash flow information:		
Interest received	31,687	13,965

Next Edge Biotech and Life Sciences Opportunities Fund  
Schedule of investments (unaudited) – June 30, 2023

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Long positions (99.5%)</b>		
	<b>Canadian equities (14.5%)</b>		
	<b>Biotechnology (0.0%)</b>		
108,000	Titan Medical Inc., Warrants, August 10, 2023 - Strike Price \$3.20	96,646	-
750,000	Virotek Biosciences Inc., Private Placement	150,000	-
	<b>Biotechnology total</b>	<b>246,646</b>	<b>-</b>
	<b>Healthcare equipment &amp; services (4.1%)</b>		
620,000	Imagin Medical Inc.	296,258	72,850
250,000	Imagin Medical Inc. Warrants, October 22, 2025 - Strike Price \$0.025	-	10,153
250,000	Imagin Medical Inc. Warrants, October 22, 2025 - Strike Price \$0.03	-	11,155
185,000	Opsens Inc.	292,577	301,550
1,305,000	ProMIS Neurosciences Inc. Warrants, January 22, 2024 - Strike Price \$0.48	30,433	-
1,948,000	SQI Diagnostics Inc.	425,117	29,220
15,000	Titan Medical Inc. Warrants, June 26, 2026 - Strike Price \$2.00	-	774
	<b>Healthcare equipment &amp; services total</b>	<b>1,044,385</b>	<b>425,702</b>
	<b>Pharmaceuticals, biotechnology and life sciences (10.4%)</b>		
820,000	Cognetivity Neurosciences Ltd.	288,184	196,800
345,000	Cognetivity Neurosciences Ltd., Private Placement	100,050	82,800
17,500	Fennec Pharmaceuticals Inc.	182,065	204,474
120,000	Medicenna Therapeutics Corp.	346,687	76,800
910,000	Microbix Biosystems Inc.	479,134	354,900
500,000	ProMIS Neurosciences Inc. Warrants, December 30, 2024 - Strike Price \$0.35	18,645	1,085
165,000	Sernova Corp.	143,432	158,400
	<b>Pharmaceuticals, biotechnology and life sciences total</b>	<b>1,558,197</b>	<b>1,075,259</b>
	<b>Total Canadian equities</b>	<b>2,849,228</b>	<b>1,500,961</b>
	<b>Canadian bond (2.5%)</b>		
200,000	Imagin Medical Inc., Private Bond, September 03, 2023	255,161	254,430
	<b>Canadian bond total</b>	<b>255,161</b>	<b>254,430</b>
	<b>Total Canadian equities &amp; bond</b>	<b>3,104,389</b>	<b>1,755,391</b>



Next Edge Biotech and Life Sciences Opportunities Fund  
Schedule of investments (continued) (unaudited) – June 30, 2023

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>United States equities (64.9%)</b>		
	<b>Healthcare equipment &amp; services (13.0%)</b>		
66,000	Biomerica Inc.	219,663	118,774
27,000	ClearPoint Neuro Inc.	353,670	258,667
10,852	Delcath Systems Inc. Warrants, August 11, 2024 - Strike Price \$25.36	161,282	13,650
2,300	Globus Medical Inc., Class A	175,154	181,207
80,000	Rapid Micro Biosystems Inc.	140,930	105,859
10,000	Schrodinger Inc.	319,235	660,562
	<b>Healthcare equipment &amp; services total</b>	<b>1,369,934</b>	<b>1,338,719</b>
	<b>Pharmaceuticals &amp; biotechnology and life sciences (50.4%)</b>		
3,900	10X Genomics Inc.	283,969	288,170
90,000	Absci Corp.	210,148	181,019
27,000	Acumen Pharmaceuticals Inc.	182,567	171,849
25,000	Alector Inc.	425,783	198,817
20,000	Annexon Inc.	106,942	93,156
2,000	Apellis Pharmaceuticals Inc.	173,878	241,095
18,000	Arcutis Biotherapeutics Inc.	326,390	226,989
5,900	Beam Therapeutics Inc.	310,463	249,281
600	Biogen Inc.	239,263	226,155
65,000	Bluebird Bio Inc.	406,420	282,975
50,000	Cognition Therapeutics Inc.	132,020	121,077
65,000	Eledon Pharmaceuticals Inc.	222,521	117,835
65,000	Ginkgo Bioworks Holdings Inc.	240,853	159,980
28,333	Inhibikase Therapeutics Inc.	149,244	130,470
15,000	Immune Bio Inc.	221,787	180,225
7,500	Insmed Inc.	195,407	209,403
2,800	Intra-Cellular Therapies Inc.	228,517	234,605
45,000	Kronos Bio Inc.	185,405	102,419
17,000	Pacific Biosciences of California Inc.	146,250	299,185
60,000	Personalis Inc.	175,940	149,262
11,500	Phathom Pharmaceuticals Inc.	140,088	217,911
90,000	Protalix BioTherapeutics Inc.	264,095	234,611
60,002	RenovoRx Inc.	204,160	179,438
20,000	RenovoRx Inc., Warrants, August 30, 2026 - Strike Price \$10.80	253	8,464
44,000	Rezolute Inc.	129,668	115,281
55,000	Sangamo Therapeutics Inc.	275,358	94,612
45,000	SomaLogic Inc.	237,494	137,551
151,110	Synaptogenix Inc.	353,835	187,958
45,000	Vaxxinity Inc.	148,208	150,056
	<b>Pharmaceuticals &amp; biotechnology and life sciences total</b>	<b>6,316,926</b>	<b>5,189,849</b>

Next Edge Biotech and Life Sciences Opportunities Fund  
Schedule of investments (continued) (unaudited) – June 30, 2023

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Biotechnology (0.0%)</b>		
35,000	GT Biopharma Inc. Warrants, February 16, 2026 – Strike Price \$5.50	-	2,621
	<b>Biotechnology total</b>	-	<b>2,621</b>
	<b>Health Care Equipment &amp; Services (1.5%)</b>		
65,000	Vicarious Surgical Inc.	335,835	157,400
	<b>Health Care Equipment &amp; Services total</b>	<b>335,835</b>	<b>157,400</b>
	<b>Total United States equities</b>	<b>8,022,695</b>	<b>6,688,589</b>
	<b>United States bond (1.3%)</b>		
100,000	IntelGenx Technologies Corp., Private Bond, October 31, 2024	127,774	132,324
	<b>United States bond total</b>	<b>127,774</b>	<b>132,324</b>
	<b>Total United States equities &amp; bond</b>	<b>8,150,469</b>	<b>6,820,913</b>
	<b>International equities (12.3%)</b>		
	<b>Pharmaceuticals, biotechnology and life sciences (12.3%)</b>		
4,700	CRISPR Therapeutics AG	395,190	349,148
22,000	Exscientia PLC, ADR	196,589	172,339
4,500	Galapagos NV, ADR	253,330	242,113
27,500	MeiraGTx Holdings PLC	339,926	244,535
35,500	Orchard Therapeutics PLC	440,113	243,801
	<b>Total international equities</b>	<b>1,625,148</b>	<b>1,251,936</b>
	<b>Total equities &amp; bond</b>	<b>12,880,006</b>	<b>9,828,240</b>
	<b>Options (4.0%)</b>		
	Purchased options (see options detail)	733,003	406,871
	<b>Total long position</b>	<b>13,613,009</b>	<b>10,235,111</b>
	<b>Short position (-0.2%)</b>		
	Written options (See options detail)	(14,616)	(19,849)
	<b>Total short position</b>	<b>(14,616)</b>	<b>(19,849)</b>
	Transaction costs	(42,758)	-
	<b>Total investment portfolio and options (99.3%)</b>	<b>13,555,635</b>	<b>10,215,262</b>
	<b>Cash (1.1%)</b>		<b>117,631</b>
	<b>Other assets net of liabilities (-0.4%)</b>		<b>(37,863)</b>
	<b>Total net assets attributable to holders of redeemable units (100.0%)</b>		<b>10,295,030</b>

Next Edge Biotech and Life Sciences Opportunities Fund  
Schedule of investments (continued) (unaudited) – June 30, 2023

Options Details

Underlying Interest	Option Type	Number of Options	Strike Price (\$)	Expiry Date	Average Cost (\$)	Fair Value (\$)
ACTINIUM PHARMACEUTICALS	Call	200	7.5	July 21, 2023	37,548	11,248
APELLIS PHARMACEUTICALS INC	Call	150	100	July 21, 2023	76,136	35,728
ARCUTIS BIOTHERAPEUTICS INC	Call	100	15	September 15, 2023	9,924	4,962
BIOGEN INC	Call	100	350	July 21, 2023	31,758	5,955
CRISPR THERAPEUTICS AG	Call	100	65	August 18, 2023	25,241	24,480
EXELIXIS INC	Call	450	20	January 19, 2024	127,694	93,784
INCYTE CORP	Call	200	67.5	July 21, 2023	42,345	2,647
INTERCEPT PHARMA INC	Call	250	10	August 18, 2023	59,878	56,237
INTRA-CELLULAR THERAPIES INC	Call	150	75	August 18, 2023	34,405	15,383
INVESCO CURRENCY SHARES CA	Call	700	74	September 15, 2023	61,035	74,103
IOVANCE BIOTHERAPEUTICS	Call	200	7.5	September 15, 2023	46,314	21,172
MADRIGAL PHARMACEUTICALS	Call	10	220	July 21, 2023	41,153	25,472
TELADOC HEALTH INC	Call	500	30	July 21, 2023	17,864	6,947
XENON PHARMACEUTICALS INC	Call	68	45	July 21, 2023	17,831	683
<b>Total purchased call options</b>					<b>629,126</b>	<b>378,801</b>
INVESCO QQQ TRUST SERIES 1	Put	175	345	July 21, 2023	41,220	14,010
SPDR S&P 500 ETF TRUST	Put	250	415	July 21, 2023	62,657	14,060
<b>Total purchased put options</b>					<b>103,877</b>	<b>28,070</b>
<b>Total purchased options</b>					<b>733,003</b>	<b>406,871</b>
<b>Written options</b>						
SCHRODINGER INC/UNITED STAT	Call	(50)	50	July 21, 2023	(14,616)	(19,849)
<b>Total written call options</b>					<b>(14,616)</b>	<b>(19,849)</b>
<b>Total written options</b>					<b>(14,616)</b>	<b>(19,849)</b>
<b>Total options</b>					<b>718,387</b>	<b>387,022</b>

# Next Edge Biotech and Life Sciences Opportunities Fund

## Notes to the semi-annual financial statements (unaudited) – June 30, 2023

### 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 (the “Net Asset Value per unit” or “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 small and mid-capitalization biotechnology and healthcare companies based in Canada and the United States. 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.

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 August 29, 2023.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* 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 International Financial Reporting Standards (“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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

## Next Edge Biotech and Life Sciences Opportunities Fund

### Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

Financial instruments include financial assets and liabilities such as debt and 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 - Classification and Measurement* (“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 models 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 significant 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 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.

## Next Edge Biotech and Life Sciences Opportunities Fund

### Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

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 the 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 on each 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 income (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 Statement of comprehensive income (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 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”), 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.

The calculation of the value of net assets attributable to holders of redeemable units (“net assets”) 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.

## Next Edge Biotech and Life Sciences Opportunities Fund

### Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

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 Statement of comprehensive income (loss).

“Interest income for distribution purposes” shown on the Statement of comprehensive income (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 period-over-period 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 (loss) in the period.

#### **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 Statement of comprehensive income (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 period.

#### **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.

# Next Edge Biotech and Life Sciences Opportunities Fund

## Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

### 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 period 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 an impact on the Fund. The Fund will adopt any applicable 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.

### 6. FINANCIAL INSTRUMENTS RISK

The Fund’s activities expose it to a variety of risks as follows: portfolio concentration risk, credit risk, interest rate risk, liquidity risk and market risk (which includes currency risk, other price risk, and 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, foreign currency risk, interest rate risk, legislation and litigation risk, leverage risk, multiple class risk, options risk, price volatility risk, repurchase and reverse repurchase transactions, securities lending risk, sector risk, short selling risk, stock market risk, substantial securityholder risk, and tax risk.



## Next Edge Biotech and Life Sciences Opportunities Fund

### Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

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 may change due to ongoing portfolio transactions.

Portfolio by Asset Mix	% of Net Asset Value	
	Jun 30, 2023	Dec 31, 2022
United States equity	64.9%	65.4%
Canadian equity	14.5%	15.6%
International equity	12.3%	7.0%
Equity options	3.8%	3.5%
Canadian bond	2.5%	2.5%
United States bond	1.3%	1.4%
Total investments	99.3%	95.4%
Cash	1.1%	5.2%
Other net liabilities	(0.4%)	(0.6%)
<b>Total net asset value</b>	<b>100.0%</b>	<b>100.0%</b>

Portfolio by Industry	% of Net Asset Value	
	Jun 30, 2023	Dec 31, 2022
Pharmaceuticals and biotechnology	73.1%	64.1%
Healthcare equipment and services	18.6%	21.6%
Equity options	3.8%	3.5%
Canadian bond	2.5%	2.5%
United States bond	1.3%	1.4%
Diversified financials	-%	1.4%
Commercial and professional services	-%	0.9%
Total investments	99.3%	95.4%
Cash	1.1%	5.2%
Other net liabilities	(0.4%)	(0.6%)
<b>Total net asset value</b>	<b>100.0%</b>	<b>100.0%</b>

## Next Edge Biotech and Life Sciences Opportunities Fund

Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

<b>Portfolio by Country</b>	<b>% of Net Asset Value</b>	
	<b>Jun 30, 2023</b>	<b>Dec 31, 2022</b>
United States	66.2%	65.7%
Canada	20.8%	21.7%
International	12.3%	7.0%
Total investments	99.3%	95.4%
Cash	1.1%	5.2%
Other net liabilities	(0.4%)	(0.6%)
<b>Total net asset value</b>	<b>100.0%</b>	<b>100.0%</b>

### 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 credit worthiness 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 June 30, 2023, the Fund has \$386,754 exposure to two convertible debt instruments (December 31, 2022 - \$389,926).

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 markets interest rates on the fair value of assets and future cash flow. As at June 30, 2023, the Fund has \$386,754 exposure to two debt instruments (December 31, 2022 - \$389,926).

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 six months ended June 30, 2023 the weighted average duration of the two debt instruments was one year. As of June 30, 2023, the Fund's exposure to interest rate risks given a 1% impact on net assets is \$2,135 (December 31, 2022 - \$4,118).

### 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).

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.

Next Edge Biotech and Life Sciences Opportunities Fund  
Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

June 30, 2023

Financial liabilities	On demand	< 3 months	Total
Administration fees payable	-	31,850	31,850
Financial liabilities at fair value through profit or loss	19,849	-	19,849
Management fees payable	-	8,510	8,510
Payable for investments purchased	5,120	-	5,120
HST payable	-	3,315	3,315
	<u>24,969</u>	<u>43,675</u>	<u>68,644</u>

December 31, 2022

Financial liabilities	On demand	< 3 months	Total
Payable for investments purchased	80,016	-	80,016
Redemptions payable	29,586	-	29,586
Management fees payable	-	14,699	14,699
Financial liabilities at fair value through profit or loss	12,872	-	12,872
Administration fees payable	-	866	866
	<u>122,474</u>	<u>15,565</u>	<u>138,039</u>

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 include 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 Fund uses options on currency exchange-traded funds to reduce its foreign currency exposure.

The tables below indicate the foreign currencies to which the Fund had significant exposure as at June 30, 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.

June 30, 2023	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary
United States dollar	(60,216)	8,665,120	8,604,904	(3,011)	433,256	430,245
% of net assets attributable to holders of redeemable units	(0.6)	84.2	83.6	-	4.2	4.2

Next Edge Biotech and Life Sciences Opportunities Fund  
Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

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:

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.

## Next Edge Biotech and Life Sciences Opportunities Fund

### Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

As at June 30, 2023 and December 31, 2022, the financial instruments measured at fair value in the Statements of financial position are grouped into the fair value hierarchy as follows:

	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
<b>June 30, 2023</b>				
Equities - long	9,364,364	77,122	-	9,441,486
Bonds - long	-	-	386,754	386,754
Purchased options	406,871	-	-	406,871
Written options	(19,849)	-	-	(19,849)
	<b>9,751,386</b>	<b>77,122</b>	<b>386,754</b>	<b>10,215,262</b>
<b>December 31, 2022</b>				
Equities - long	8,708,112	110,874	-	8,818,986
Bonds - long	-	-	389,926	389,926
Purchased options	363,051	-	-	363,051
Written options	(12,872)	-	-	(12,872)
	<b>9,058,291</b>	<b>110,874</b>	<b>389,926</b>	<b>9,559,091</b>

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, interest 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. \$29,220 was transferred between Levels 1 and 2 of the fair value hierarchy during the six months ended June 30, 2023 (December 31, 2022: \$nil).

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 June 30, 2023 and December 31, 2022.

The following table presents the movement in Level 3 for the six months ended June 30, 2023:

	Bonds - long	Equities - long
Beginning balance, January 1, 2023	389,926	-
Net change in unrealized depreciation in fair value of bonds - long	-	-
Change in unrealized (depreciation) appreciation on investments	(3,172)	-
<b>Ending balance, June 30, 2023</b>	<b>386,754</b>	<b>-</b>

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

	Bonds - long	Equities - long
Beginning balance, January 1, 2022	380,745	150,000
Net change in unrealized depreciation in fair value of bonds - long	9,181	-
Change in unrealized (depreciation) appreciation on investments	-	(150,000)
<b>Ending balance, December 31, 2022</b>	<b>389,926</b>	<b>-</b>

Next Edge Biotech and Life Sciences Opportunities Fund  
Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

7. REDEEMABLE UNITS

For the period ended June 30, 2023 and June 30, 2022, the Fund offered two classes of redeemable units: 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) of the Fund.

The number of units issued, redeemed or cancelled during the six-month periods ended June 30, 2023 and 2022 for each respective class is summarized in the following tables.

For the six months ended June 30,	2023	2022
<b>Class A<sup>1</sup></b>		
Balance, beginning	1	-
Units issued for cash	999	-
<b>Balance, ending</b>	<b>1,000</b>	<b>-</b>
<b>Class F<sup>1</sup></b>		
Balance, beginning	1	-
Units issued for cash	1,614	-
<b>Balance, ending</b>	<b>1,615</b>	<b>-</b>
<b>Class A1<sup>1</sup></b>		
Balance, beginning	692,797	624,997
Units issued for cash	14,201	109,575
Units redeemed	(176,623)	(67,158)
<b>Balance, ending</b>	<b>530,375</b>	<b>667,414</b>
<b>Class F1<sup>1</sup></b>		
Balance, beginning	1,072,820	827,080
Units issued for cash	287,621	320,340
Units redeemed	(45,460)	(68,462)
<b>Balance, ending</b>	<b>1,314,981</b>	<b>1,078,958</b>

1. Effective October 14, 2022, formerly Class A units were renamed Class A1, formerly Class F units were renamed Class F1, and new Class A and F units were created.

**Capital management**

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.

## Next Edge Biotech and Life Sciences Opportunities Fund

### Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

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, 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.

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

As at June 30, 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.

## 8. INCOME TAXES

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 will be 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 intends to make 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 will be 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.

## Next Edge Biotech and Life Sciences Opportunities Fund

### Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

The Fund has assessed and concluded that there is no impact on the recognition and measurements of uncertainty over Income tax treatments, across jurisdictions in which it operates.

As at December 31, 2022, the Fund had \$1,209,713 gross capital losses (2021: \$nil) and \$3,278,544 non-capital losses for tax purposes (2021: \$733,409).

#### 9. FEES AND OPERATING EXPENSES

Annual Management Fees (% of net asset value of the class of the Fund)	
Class	Management Fee <sup>1,2</sup>
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, at 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) 1.00% of the portion of its NAV represented by the Class A1 Units, and (ii) nil of the portion of NAV represented by the Class F1 Units, calculated weekly and paid quarterly 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 Next Edge funds pro rata based on the amount of time spent on each Next Edge fund’s 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.

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 six months ended June 30, 2023, \$40,317 (2022: \$27,210) 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 for the Fund.



## Next Edge Biotech and Life Sciences Opportunities Fund

### Notes to the semi-annual financial statements (continued) (unaudited) – June 30, 2023

#### 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 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 six months ended June 30, 2023 amounted to \$18,693 (2022: \$22,898) and are reported in the Statement of comprehensive loss, with \$8,510 (2022: \$10,399) in outstanding accrued fees due to the Manager as at June 30, 2023 reported in the Statements of financial position.

Total performance fees for the six months ended June 30, 2023 amounted to \$nil (2022: \$nil) and are reported in the Statement of comprehensive loss, with \$nil in outstanding accrued fees (2022: \$nil) due to the Manager as at June 30, 2023 reported in the Statements of financial position.

##### (b) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee attributable to the Fund during the six months ended June 30, 2023 was \$9,290 (2022: \$14,025).

#### 11. GLOBAL TENSIONS

The ongoing military conflict in Ukraine and associated sanctions imposed on Russia and its allies 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

## General information

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