

# Next Edge Bio-Tech Plus Fund

Unaudited Semi-Annual Financial Statements – 2016  
As at and for the period ended June 30<sup>th</sup>, 2016



Next Edge Bio-Tech Plus Fund  
Unaudited semi-annual financial statements  
June 30, 2016

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# Next Edge Bio-Tech Plus Fund

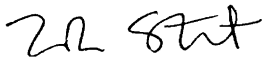
## Management's responsibility for financial reporting

Next Edge Capital Corp. (the "Manager") is responsible for the accompanying financial statements 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 Accounting Standard 34 Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board (IASB) and, where appropriate, reflect Management's judgment and best estimates.

Management has established systems of internal control 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,



Toreigh N. Stuart  
Chief Executive Officer



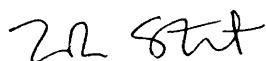
David Scobie  
Chief Operating Officer

Next Edge Capital Corp.  
August 29, 2016

Next Edge Bio-Tech Plus Fund  
 Statements of financial position (unaudited)

As at	Notes	June 30, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Investments			
Equities and bond	5,6	5,870,872	5,262,467
Purchased options	5,6	76,816	84,066
Cash		187,066	150,398
Subscriptions receivable		-	7,000
Receivable for investments sold		93,179	159,057
Interest and other receivable		10,467	-
Dividends receivable		1,320	920
		<b>6,239,720</b>	<b>5,663,908</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Written options	5,6	-	2,076
Redemptions payable		6,453	10,287
Payable for investments purchased		122,874	145,941
Management fees payable	9,10	3,015	1,194
Accrued expenses		13,422	38,240
		<b>145,764</b>	<b>197,738</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>6,093,956</b>	<b>5,466,170</b>
<b>Net assets attributable to holders of redeemable units per class</b>			
Class A <sup>1</sup>		1,252,849	704,891
Class A1 <sup>2</sup>		2,327,625	3,166,150
Class F <sup>2</sup>		1,528,103	340,915
Class F1 <sup>2</sup>		985,379	1,254,214
		<b>6,093,956</b>	<b>5,466,170</b>
<b>Number of redeemable units outstanding per class</b>			
Class A <sup>1</sup>	7	169,030	71,474
Class A1 <sup>2</sup>	7	295,189	303,529
Class F <sup>2</sup>	7	194,635	32,773
Class F1 <sup>2</sup>	7	123,054	119,014
<b>Net assets attributable to holders of redeemable units per unit</b>			
Class A <sup>1</sup>		7.41	9.86
Class A1 <sup>2</sup>		7.89	10.43
Class F <sup>2</sup>		7.85	10.40
Class F1 <sup>2</sup>		8.01	10.54

Approved by Next Edge Capital Corp.




Toreigh N. Stuart  
 Chief Executive Officer

David Scobie

Chief Operating Officer

*The accompanying notes are an integral part of these financial statements*

Next Edge Bio-Tech Plus Fund  
 Statements of comprehensive income (unaudited)

For the periods ended	Notes	June 30, 2016	June 30, 2015
<b>Income</b>			
Interest income for distribution purposes		11,883	157
Dividends		7,657	2,779
Foreign currency loss on cash and other net assets		(1,899)	(7,264)
Other changes in fair value of investments and derivatives			
Net realized loss on sale of investments		(387,313)	(8,545)
Net change in unrealized (depreciation) appreciation on investments	6	(890,420)	294,962
Net (losses) gains on investments		(1,277,733)	286,417
<b>Total (loss) income</b>		<b>(1,260,092)</b>	<b>282,089</b>
<b>Expenses</b>			
Management fees	9,10	26,895	164
Performance fees	10	-	76
Administrative fees		15,732	8,705
Unitholder reporting costs		2,984	4,779
Audit fees		9,750	8,325
Custodian fees		3,750	6,250
Legal fees		23,095	-
Independent review committee fees	10	1,508	131
Harmonized sales tax		4,351	4,052
Withholding tax		-	125
Transaction costs		48,594	23,932
<b>Total expenses</b>		<b>136,659</b>	<b>56,539</b>
<b>(Decrease) Increase in net assets attributable to holders of redeemable units</b>		<b>(1,396,751)</b>	<b>225,550</b>
<b>(Decrease) Increase in net assets attributable to holders of redeemable units per class</b>			
Class A <sup>1</sup>		(214,375)	(1,712)
Class A1 <sup>2</sup>		(769,308)	177,837
Class F <sup>2</sup>		(110,073)	2,484
Class F1 <sup>2</sup>		(302,995)	46,941
		(1,396,751)	225,550
<b>Average number of units outstanding</b>			
Class A <sup>1</sup>		131,774	1,640
Class A1 <sup>2</sup>		301,625	274,877
Class F <sup>2</sup>		149,185	2,501
Class F1 <sup>2</sup>		119,384	70,720

1. The Class A opening unit held by the Manager was cancelled on January 21, 2015. The first issuance of Class A units to external investors was on April 10, 2015.
2. The first issuance of Class A1, Class F, and Class F1 units was on January 21, 2015

*The accompanying notes are an integral part of these financial statements*

## Next Edge Bio-Tech Plus Fund

### Statements of comprehensive income (unaudited) (continued)

**(Decrease) Increase in net assets attributable to holders of redeemable units per unit**

Class A <sup>1</sup>	(1.63)	(1.04)
Class A1 <sup>2</sup>	(2.55)	0.65
Class F <sup>2</sup>	(0.74)	0.99
Class F1 <sup>2</sup>	(2.54)	0.66

1. The Class A opening unit held by the Manager was cancelled on January 21, 2015. The first issuance of Class A units to external investors was on April 10, 2015.
2. The first issuance of Class A1, Class F, and Class F1 units was on January 21, 2015

*The accompanying notes are an integral part of these financial statements*

# Next Edge Bio-Tech Plus Fund

## Statements of changes in net assets attributable to holders of redeemable units (unaudited)

For the periods ended June 30,	2016 CAD	2015 CAD
<u>Class A<sup>1</sup></u>		
Beginning of period	704,891	10
Decrease in net assets attributable to holders of redeemable units from operations	(214,375)	(1,712)
Proceeds from issuance of units	1,049,284	136,098
Consideration paid for redemption of units	(286,951)	(114,076)
End of period	1,252,849	20,320
<u>Class A1<sup>2</sup></u>		
Beginning of period	3,166,150	-
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(769,308)	177,837
Proceeds from issuance of units	1,505	3,255,468
Consideration paid for redemption of units	(70,722)	(184,353)
End of period	2,327,625	3,248,952
<u>Class F<sup>2</sup></u>		
Beginning of period	340,915	-
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(110,073)	2,484
Proceeds from issuance of units	1,379,134	63,000
Consideration paid for redemption of units	(81,873)	-
End of period	1,528,103	65,484
<u>Class F1<sup>2</sup></u>		
Beginning of period	1,254,214	-
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(302,995)	46,941
Proceeds from issuance of units	37,377	1,226,359
Consideration paid for redemption of units	(3,217)	-
End of period	985,379	1,273,300

1. The Class A opening unit held by the Manager was cancelled on January 21, 2015. The first issuance of Class A units to external investors was on April 10, 2015.
2. The first issuance of Class A1, Class F, and Class F1 units was on January 21, 2015

*The accompanying notes are an integral part of these financial statements*

Next Edge Bio-Tech Plus Fund  
 Statements of cash flows (unaudited)

For the period ended June 30,	2016 CAD	2015 CAD
<b>Cash flows from operating activities</b>		
(Decrease) Increase in net assets attributable to holders of redeemable units	(1,396,751)	225,550
<b>Adjustments to reconcile increase in net assets attributable to holders to net cash from operating activities</b>		
Proceeds from sale of investments	5,106,479	1,779,849
Purchase of investments	(6,944,632)	(5,302,507)
Foreign currency loss on cash and other net assets	1,899	7,264
Change in unrealized depreciation (appreciation) of investments and derivatives	890,420	(294,962)
Net realized loss on sale of investments	387,313	8,545
Increase in interest and other receivable	(10,467)	-
Increase in dividends receivable	(400)	(560)
(Decrease) Increase in other payable and accrued liabilities	(22,997)	12,336
<b>Net cash used in operating activities</b>	<b>(1,989,136)</b>	<b>(3,564,485)</b>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable units issued	2,474,300	4,670,925
Amount paid on redemption of redeemable units	(446,597)	(279,509)
<b>Net cash flows provided by financing activities</b>	<b>2,027,703</b>	<b>4,391,436</b>
Foreign currency loss on cash and other net assets	(1,899)	(7,264)
Net increase in cash	38,567	826,931
Cash, beginning of period	150,398	10
<b>Cash, end of period</b>	<b>187,066</b>	<b>819,677</b>
Cash comprises:		
Cash at bank	187,066	819,677
Interest received	1,416	157
Dividends received, net of withholding taxes	7,257	2,094

*The accompanying notes are an integral part of these financial statements*



Next Edge Bio-Tech Plus Fund  
Schedule of investments (unaudited)

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Long Positions (97.6%)</b>		
	<b>Canadian Equities (32.9%)</b>		
	<b>Biotechnology (0.7%)</b>		
300,000	RepliCel Life Sciences Inc. Unit	74,120	37,500
200,000	RepliCel Life Sciences Inc. Warrants June 25, 2018 – Strike Price \$0.51	-	7,234
		<b>74,120</b>	<b>44,734</b>
	<b>Healthcare Equipment &amp; Services (8.6%)</b>		
33,000	Extencicare Inc.	269,328	268,620
55,000	Titan Medical Inc.	49,793	47,850
40,000	Spectral Medical Inc.	32,696	38,000
90,000	Theralase Technologies Inc.	39,408	37,800
337,000	Theralase Technologies Inc. Warrants March 3, 2020 – Strike Price \$0.54	15,000	38,592
41,000	TSO3 Inc.	61,474	91,840
		<b>467,699</b>	<b>522,702</b>
	<b>Pharmaceuticals &amp; Biotechnology (23.6%)</b>		
19,000	Aeterna Zentaris Inc.	89,291	80,370
29,000	Aurinia Pharmaceuticals Inc.	110,623	111,650
13,000	Cardiome Pharma Corporation	107,170	86,450
10,800	Cipher Pharmaceuticals Inc.	86,565	72,900
5,500	Concordia International Corporation	211,305	153,065
2,500	Cynapsus Therapeutics Inc.	50,550	53,750
18,000	Essa Pharma Inc.	76,155	72,000
12,000	Fennec Pharamaceuticals Inc.	41,592	31,620
21,000	Medicure Inc.	62,884	134,820
50,000	Merus Labs International Inc.	96,500	82,500
486,000	Microbix Biosystems Inc.	242,113	106,920
200,000	Microbix Biosystems Inc. Warrants October 9, 2020 – Strike Price \$0.55	-	12,968
417,000	NeutriSci International Inc.	75,355	45,870
1,300,000	Promis Neurosciences Inc.	52,102	201,500
40,000	Theratechnologies Inc.	66,444	108,400
7,000	Trillium Therapeutics Inc.	79,987	80,080
		<b>1,448,636</b>	<b>1,434,863</b>
	<b>Total Canadian Equities</b>	<b>1,990,455</b>	<b>2,002,299</b>
	<b>Canadian Bond (1.6%)</b>		
	<b>Corporate Bond (1.6%)</b>		
100,000	Diagnos Inc. Convertible Bonds 10.000% July 29, 2019	100,000	100,000
	<b>Total Canadian Equities &amp; Bond</b>	<b>2,090,455</b>	<b>2,102,299</b>

*The accompanying notes are an integral part of these financial statements*

Next Edge Bio-Tech Plus Fund  
Schedule of investments (unaudited) (continued)

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>United States Equities (54.9%)</b>		
	<b>Biotechnology (10.6%)</b>		
3,000	Acorda Therapeutics Inc.	107,716	99,370
14,000	Brainstorm Cell Therapeutics Inc.	63,319	43,818
10,000	Halozyme Therapeutics Inc.	153,244	112,078
8,000	KemPharm Inc.	106,944	41,351
336,000	Neurotrope Inc.	231,351	200,727
428,571	Portage Biotech Inc.	75,297	61,224
3,000	Theravance Biopharma Incorporated	55,430	88,403
		<b>793,301</b>	<b>646,971</b>
	<b>Chemicals (1.9%)</b>		
34,000	TerraVia Holdings Inc.	90,745	115,688
		<b>90,745</b>	<b>115,688</b>
	<b>Healthcare (1.7%)</b>		
13,000	Cerus Corporation	95,318	105,351
		<b>95,318</b>	<b>105,351</b>
	<b>Pharmaceuticals (39.3%)</b>		
8,000	Acadia Pharmaceuticals Inc.	310,447	337,247
1,500	Accelaron Pharma Inc.	69,517	66,195
5,500	Adamas Pharmaceuticals Inc.	105,789	108,143
7,000	Akebia Therapeutics Inc.	88,434	68,000
10,400	Amicus Therapeutics Inc.	100,077	73,745
8,000	Aquinox Pharmaceuticals Inc.	98,758	68,779
12,200	Axovant Sciences Limited	205,667	203,439
28,000	Conatus Pharmaceuticals Inc.	90,636	74,909
9,700	Concert Pharmaceuticals Inc.	169,669	141,469
5,300	FibroGen Inc.	140,592	112,952
3,500	Forward Pharma AS ADR	92,804	82,591
8,400	Inotek Pharmaceuticals Corporation	107,201	81,164
1,000	Intercept Pharmaceuticals Inc.	175,488	185,299
2,700	Intra-Cellular Therapies Inc.	119,192	136,122
6,500	Portola Pharmaceuticals Inc.	241,342	199,221
38,000	Synergy Pharmaceuticals Inc.	232,965	187,531
1,300	Ultragenyx Pharmaceutical Inc.	98,329	82,575
5,000	Voyager Therapeutics Inc.	81,999	71,364
15,000	VTV Therapeutics Inc.	117,663	112,987
		<b>2,646,569</b>	<b>2,393,732</b>
	<b>Pharmaceuticals &amp; Biotechnology (1.4%)</b>		
11,000	Xenon Pharmaceuticals Inc.	109,001	84,571
		<b>109,001</b>	<b>84,571</b>
	<b>Total United States Equities</b>	<b>3,734,934</b>	<b>3,346,313</b>

*The accompanying notes are an integral part of these financial statements*

Next Edge Bio-Tech Plus Fund  
Schedule of investments (unaudited) (continued)

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>International Equities (6.9%)</b>		
	<b>Biotechnology (5.0%)</b>		
8,500	Evogene Ltd.	79,778	68,883
3,000	NeuroDerm Limited	61,811	63,312
6,000	uniQure NV	93,484	57,429
5,000	Wright Medical Group NV	114,414	112,792
		<b>349,487</b>	<b>302,416</b>
	<b>Healthcare (2.0%)</b>		
12,000	Syneron Medical Limited	129,039	119,844
		<b>129,039</b>	<b>119,844</b>
	<b>Total International Equities</b>	<b>478,526</b>	<b>422,260</b>
	<b>Total Equities &amp; Bond</b>	<b>6,303,915</b>	<b>5,870,872</b>
	<b>Options (1.3%)</b>		
	Purchased Options (See Options Detail)	187,361	76,816
	<b>Total Long Position</b>	<b>6,491,276</b>	<b>5,947,688</b>
	Transaction Costs	(12,581)	-
	<b>Total Investment Portfolio and Options (97.6%)</b>	<b>6,478,695</b>	<b>5,947,688</b>
	Cash (3.1%)		187,066
	Other net liabilities (-0.7%)		(40,798)
	<b>Total net assets (100.0%)</b>		<b>6,093,956</b>

*The accompanying notes are an integral part of these financial statements*

Next Edge Bio-Tech Plus Fund  
Schedule of investments (unaudited) (continued)

Options Details

Underlying Interest	Option Type	Number of Options	Strike Price (\$)	Expiry Date	Average Cost (\$)	Fair Value (\$)
Acadia Pharmaceuticals Inc.	Call	30	40	Aug 2016	5,587	3,994
Acadia Pharmaceuticals Inc.	Call	50	45	Aug 2016	12,435	2,490
Biogen Inc.	Call	20	280	Jul 2016	31,535	649
Biogen Inc.	Call	15	260	Aug 2016	13,612	12,273
Gilead Sciences Inc.	Call	25	85	Jul 2016	10,465	2,403
Intercept Pharmaceuticals, Inc.	Call	15	150	Sept 2016	23,367	21,039
Innoviva Inc.	Call	50	10	Jul 2016	10,105	5,032
Medivation Inc.	Call	200	65	Jul 2016	23,397	7,792
Spark Therapeutics Inc.	Call	15	50	Jul 2016	5,396	5,455
Pacific Biosciences of California, Inc.	Call	50	12.5	Jul 2016	3,595	65
Pacific Biosciences of California, Inc.	Call	2	15	Jul 2016	80	-
Sage Therapeutics Inc.	Call	25	35	Jul 2016	8,057	5,357
Valeant Pharmaceuticals International, Inc.	Call	25	22.5	Jul 2016	12,352	1,396
<b>Total Call Options</b>					<b>159,983</b>	<b>67,945</b>
Concordia International Corp. Health Care Select Sector SPDR ETF	Put	15	26	Jul 2016	3,023	1,988
	Put	200	69.5	Jul 2016	24,355	6,883
<b>Total Put Options</b>					<b>27,378</b>	<b>8,871</b>
<b>Total Options</b>					<b>187,361</b>	<b>76,816</b>

*The accompanying notes are an integral part of these financial statements*

# Next Edge Bio-Tech Plus Fund

## Notes to the financial statements

June 30, 2016 (unaudited)

### 1. FUND INFORMATION

Next Edge Bio-Tech Plus Fund (the “Fund”) is a mutual fund established as a trust under the laws of the Province of Ontario by a declaration of trust dated December 1, 2014 made by Next Edge Capital Corp., as trustee. The Fund is divided into units of participation (“Units”) representing an interest in the Fund held by unitholders. The Fund has four classes of Units: Class A Units, Class A1 Units, Class F Units and Class F1 Units.

This 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 February 17, 2015.

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 & Treasury Services beginning May 9, 2016 and CIBC Mellon Trust Company as Custodian and Citigroup Fund Services Canada Inc. as registrar, transfer agent and valuation agent prior to May 9, 2016. The registered office of the Fund is located at 1 Toronto Street, Suite 200, Toronto, Ontario, Canada, M5C 2V6.

The financial statements were approved by the Board of Directors of the Manager on August 29, 2016.

### 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in compliance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”).

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 Net Asset Value (“Net Asset Value” or “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, which is the Fund’s functional currency.

#### **Classification and recognition of 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. Regular way 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 upon initial recognition and are measured at fair value through profit or loss (“FVTPL”). Derivative assets and liabilities are classified as held for trading and measured at fair value through profit or loss. 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.

#### **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 value 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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2016 (unaudited) (continued)

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 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 the short positions are 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. 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 income.

All unlisted warrants have been calculated using a Black-Scholes model, including written options valued subsequent to initial purchase.

#### **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 Net Asset Value 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 (“NAV per Unit”).

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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2016 (unaudited) (continued)

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 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 income.

“Interest income for distribution purposes” shown on the Statements of comprehensive income 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 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 Statements of comprehensive income.

#### **Cash**

Cash is comprised of deposits with financial institutions.

#### **Increase (decrease) in net assets attributable to holders of redeemable units per unit**

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in 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.

## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2016 (unaudited) (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 Net Asset Value, which includes redeemable participating unitholder trade(s) dated for that day, of each class at the date on which the allocation is made. Class-specific operating expenses and management fees do not require allocation. All operating expenses are paid by the Manager and are collected from the Fund on a recoverable basis.

### Taxation

The Fund intends to qualify as 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 Income Taxes.

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund will adopt any applicable standards when they become effective.

#### IFRS 9, Financial Instruments - Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. In addition, the entity's own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Manager is in the process of assessing the impact of IFRS 9.

### 4. 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



## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2016 (unaudited) (continued)

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.

#### 5. FINANCIAL INSTRUMENTS RISK

The Fund's activities expose it to a variety of risks as follows: portfolio concentration risk, biotechnology industry risk, credit risk, liquidity risk and market risk (including price risk, foreign exchange risk, and interest rate risk).

The 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 portfolio manager focuses on companies in the 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 S&P/TSX Capped Health Care Index and 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 hedge against downside risk of the overall sector and its larger positions (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.

## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2016 (unaudited) (continued)

<b>Portfolio by Asset Mix</b>	<b>% of Net Asset Value</b>	
	<b>Jun 30, 2016</b>	<b>Dec 31, 2015</b>
United States Equity	54.9%	54.6%
Canadian Equity	32.9%	36.9%
International Equity	6.9%	2.9%
Cash & Cash Equivalents	3.1%	2.8%
Canadian Bond	1.6%	1.9%
Equity Options	1.2%	1.0%
Currency Options	-	0.4%
Equity Index Options	0.1%	0.1%
Total investments	100.7%	100.6%
Other net liabilities	(0.7%)	(0.6%)
Total net asset value	<b>100%</b>	<b>100%</b>

<b>Portfolio by Industry</b>	<b>% of Net Asset Value</b>	
	<b>Jun 30, 2016</b>	<b>Dec 31, 2015</b>
Pharmaceuticals	39.3%	26.8%
Pharmaceuticals & Biotechnology	24.9%	24.9%
Biotechnology	16.3%	26.5%
Healthcare equipment and services	8.6%	10.8%
Healthcare	3.8%	4.3%
Cash & Cash Equivalents	3.1%	2.8%
Chemicals	1.9%	-
Corporate Bond	1.6%	1.9%
Equity Options	1.1%	1.0%
Equity Index Options	0.1%	0.1%
Energy – alternated sources	-	1.1%
Currency Options	-	0.4%
Total investments	100.7%	100.6%
Other net liabilities	(0.7%)	(0.6%)
Total net asset value	<b>100%</b>	<b>100%</b>

<b>Portfolio by Country</b>	<b>% of Net Asset Value</b>	
	<b>Jun 30, 2016</b>	<b>Dec 31, 2015</b>
United States	54.8%	56.1%
Canada	35.9%	38.8%
Israel	4.1%	2.9%
Cash & Cash Equivalents	3.1%	2.8%
Netherlands	2.8%	-
Total investments	100.7%	100.6%
Other net liabilities	(0.7%)	(0.6%)
Total net asset value	<b>100%</b>	<b>100%</b>

## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2016 (unaudited) (continued)

### Biotechnology industry risk

Companies within the biotechnology industry invest heavily in research and development which 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 which 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 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.

### 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 are represented by their carrying amount as disclosed in the Statements of financial position.

The table below analyses the Fund's exposure of debt assets held by rating agency category at June 30, 2016 and December 31, 2015.

Counterparty	Credit Rating	June 30, 2016 CAD	Underlying Fund's net assets %
Diagnos Inc	Unrated	100,000	1.6
		<b>100,000</b>	<b>1.6</b>

Counterparty	Credit Rating	December 31, 2015 CAD	Underlying Fund's net assets %
Diagnos Inc	Unrated	104,457	1.9
		<b>104,457</b>	<b>1.9</b>

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

### 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 which 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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2016 (unaudited) (continued)

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 table are the contractual undiscounted cash flows.

#### June 30, 2016

Financial liabilities	On demand	< 3 months	Total
Redemptions payable	6,453	-	6,453
Payable for investments purchased	122,874	-	122,874
Management and performance fees payable	-	3,015	3,015
Accrued expenses	-	13,422	13,422
	129,327	16,437	145,764

#### December 31, 2015

Financial liabilities	On demand	< 3 months	Total
Derivative liabilities	2,076	-	2,076
Redemptions payable	10,287	-	10,287
Payable for investments purchased	145,941	-	145,941
Management and performance fees payable	-	1,194	1,194
Accrued expenses	-	38,240	38,240
	158,304	39,434	197,738

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 table below indicates the foreign currencies to which the Fund had significant exposure at June 30, 2016 and December 31, 2015 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 Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2016 (unaudited) (continued)

June 30, 2016	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary
United States Dollar	(98,135)	3,806,486	3,708,352	(4,907)	190,324	185,418
% of net assets attributable to holders of redeemable units	(1.6%)	62.5%	60.9%	(0.1%)	3.1%	3.0%

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary
United States Dollar	(31,040)	3,225,553	3,194,513	(1,552)	161,278	159,726
% of net assets attributable to holders of redeemable units	(0.6%)	59.0%	58.4%	(0.0%)	3.0%	3.0%

### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at June 30, 2016 and December 31, 2015, the Fund held debt instruments by maturity date as follows:

Debt Instruments by Maturity Date	June 30, 2016	December 31, 2015
3 to 5 years	100,000	104,457

### (c) 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 Net Asset Value of the Fund by security and geographic allocation.

The Fund's benchmark is (i) 40% of the percentage gain or loss of the S&P/TSX Capped Health Care Index; plus (ii) 60% of the percentage gain or loss of the NASDAQ Biotechnology Index (re-weighted daily). If the benchmark had increased or decreased by 10% on June 30, 2016, with all other variables held constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately \$461,316, or 7.6% (December 31, 2015 - \$390,690, or 7.2%). This change is estimated using the Fund's beta which is calculated based on the historical correlation between the return of the Fund compared to the return of the benchmark. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### 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 Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2016 (unaudited) (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 June 30, 2016 and December 31, 2015, the financial instruments measured at fair value in the Statements of financial position are grouped into the fair value hierarchy as follows:

June 30, 2016	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Equities – long	5,450,127	320,745	-	5,770,872
Bonds – long	-	-	100,000	100,000
Purchased options	76,816	-	-	76,816
	5,526,943	320,745	100,000	5,947,688
December 31, 2015	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Equities – long	4,967,966	190,044	-	5,158,010
Bonds – long	-	-	104,457	104,457
Purchased options	84,066	-	-	84,066
Written options	(2,076)	-	-	(2,076)
	5,049,956	190,044	104,457	5,344,457

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. There were no transfers between Level 1 and 2 of the fair value hierarchy during the period ended June 30, 2016 and December 31, 2015.

#### a) Bonds - long

The inputs that are significant to valuation of bonds are unobservable as these bonds are not traded in an active market and therefore the Fund's investment in bonds has been classified as Level 3.

The following table presents the movement in Level 3 positions for the periods:

	Bonds
Beginning balance, January 1, 2016	104,457
Purchases	-
Unrealized gains (losses)	(4,457)
<b>Ending balance, June 30, 2016</b>	<b>100,000</b>

## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2016 (unaudited) (continued)

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

Description	Fair Value at June 30, 2016	Valuation technique	Unobservable input
Diagnos Inc.	100,000	Amortized cost	Credit risk
			<b>Bonds</b>
Beginning balance, January 21, 2015			-
Purchases			100,000
Unrealized gains (losses)			4,457
<b>Ending balance, December 31, 2015</b>			<b>104,457</b>

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

Description	Fair Value at December 31, 2015	Valuation technique	Unobservable input
Diagnos Inc.	104,457	Amortized cost	Credit risk

### 6. FINANCIAL INSTRUMENTS BY CATEGORY

The Fund's equity investments are designated as fair value through profit or loss upon initial recognition and are measured at fair value through profit or loss ("FVTPL"). The Fund's derivative assets and derivative liabilities are classified as held for trading ("HFT") and are measured at fair value through profit or loss. All other financial assets and liabilities are measured at amortized cost.

The following table presents the carrying amounts of the Fund's financial instruments by category as at June 30, 2016 and December 31, 2015:

As at June 30, 2016:

Assets	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Financial assets at amortized cost \$	Total \$
Financial assets at fair value through profit or loss	-	5,870,872	-	5,870,872
Purchased Options	76,816	-	-	76,816
Cash	-	-	187,066	187,066
Receivable for investments sold	-	-	93,179	93,179
Interest and other receivable	-	-	10,467	10,467
Dividends receivable	-	-	1,320	1,320
<b>Total</b>	<b>76,816</b>	<b>5,870,872</b>	<b>292,032</b>	<b>6,239,720</b>

## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2016 (unaudited) (continued)

<b>Liabilities</b>	<b>Financial liabilities classified as held for trading</b> \$	<b>Financial liabilities designated at FVTPL</b> \$	<b>Financial liabilities at amortized cost</b> \$	<b>Total</b> \$
Redemptions payable	-	-	6,453	6,453
Payable for investments purchased	-	-	122,874	122,874
Management fees payable	-	-	3,015	3,015
Accrued expenses	-	-	13,422	13,422
<b>Total</b>	<b>-</b>	<b>-</b>	<b>145,764</b>	<b>145,764</b>

The following table presents the net gains on investments and derivatives by category for the respective period.

	<b>Financial assets classified as held for trading</b> \$	<b>Financial assets designated at FVTPL</b> \$	<b>Total</b> \$
Net realized gain (loss) on investments and options	(406,793)	19,480	(387,313)
Change in unrealized appreciation on investments	(110,546)	(779,874)	(890,420)
<b>Total</b>	<b>(517,339)</b>	<b>(760,394)</b>	<b>(1,277,733)</b>

As at December 31, 2015:

<b>Assets</b>	<b>Financial assets classified as held for trading</b> \$	<b>Financial assets designated at FVTPL</b> \$	<b>Financial assets at amortized cost</b> \$	<b>Total</b> \$
Financial assets at fair value through profit or loss	-	5,262,467	-	5,262,467
Purchased Options	84,066	-	-	84,066
Cash	-	-	150,398	150,398
Subscriptions receivable	-	-	7,000	7,000
Receivable for investments sold	-	-	159,057	159,057
Dividends receivable	-	-	920	920
<b>Total</b>	<b>84,066</b>	<b>5,262,467</b>	<b>317,375</b>	<b>5,663,908</b>



## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2016 (unaudited) (continued)

Liabilities	Financial liabilities classified as held for trading \$	Financial liabilities designated at FVTPL \$	Financial liabilities at amortized cost \$	Total \$
Written Options	2,076	-	-	2,076
Redemptions payable	-	-	10,287	10,287
Payable for investments purchased	-	-	145,941	145,941
Management fees payable	-	-	1,194	1,194
Accrued expenses	-	-	38,240	38,240
<b>Total</b>	<b>2,076</b>	<b>-</b>	<b>195,662</b>	<b>197,738</b>

The following table presents the net gains on investments and derivatives by category for the respective period.

	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Total \$
Net realized gain (loss) on investments and options	(91,866)	128,811	36,945
Change in unrealized (depreciation) appreciation on investments	(44,673)	404,085	359,412
<b>Total</b>	<b>(136,539)</b>	<b>532,896</b>	<b>396,357</b>

### 7. REDEEMABLE UNITS

For the periods ended June 30, 2016 and 2015, the Fund offered four classes of redeemable units: Class A units, Class A1 units, Class F units, and Class F1 units. 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 A units or Class A1 units, which would reduce the amount of money invested in the Class A units or Class A1 units of the Fund.

The number of units issued, redeemed or cancelled during the periods ended June 30, 2016 and 2015 for each respective Class is summarized in the following tables.

For the periods ended	June 30, 2016	June 30, 2015
<b>Class A</b>		
Balance, Beginning	71,474	-
Units issued for cash	134,689	13,854
Units redeemed	(37,133)	(11,852)
Balance, Ending	169,030	2,002

# Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2016 (unaudited) (continued)

For the periods ended	June 30, 2016	June 30, 2015
<b>Class A1</b>		
Balance, Beginning	303,529	-
Units issued for cash	174	324,127
Units redeemed	(8,514)	(18,007)
Balance, Ending	295,189	306,120
<b>Class F</b>		
Balance, Beginning	32,773	-
Units issued for cash	171,927	6,176
Units redeemed	(10,065)	-
Balance, Ending	194,635	6,176
<b>Class F1</b>		
Balance, Beginning	119,014	-
Units issued for cash	4,404	119,477
Units redeemed	(364)	-
Balance, Ending	123,054	119,477

## 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 the 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 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.

## 8. INCOME TAXES

It is generally assumed that the Fund will qualify at all times as a "mutual fund trust" within the meaning of the Income Tax Act (Canada) (the "Tax Act") and that the Fund will validly elect 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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2016 (unaudited) (continued)

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 which 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, 2015, the Fund had nil capital and \$80,510 non-capital losses for tax purposes which expire in 2035 and may be carried forward and used to reduce taxable income in future years.

#### 9. FEES AND OPERATING EXPENSES

For its services to the Fund, the Manager was entitled to receive from the Fund, a management fee (the “Management Fee”) at (up to) an annual rate of: (i) 2.25% of the portion of its Net Asset Value represented by the Class A units, (ii) 1.00% of the portion of its Net Asset Value represented by the Class A1 units, (iii) 1.25% of the portion of its Net Asset Value represented by the Class F units, and (iv) 0% of the portion of Net Asset Value is represented by the Class F1 units, calculated daily and paid monthly in arrears, plus applicable taxes.

The Fund pays for all expenses incurred in connection with its operation and administration, which is to be allocated pro rata to each class of units.

These expenses include unitholder reporting costs for preparing, mailing and printing expenses of periodic reports to unitholders; fees payable to any custodian of the assets of the Fund; fees payable to auditors and legal advisors; taxes payable by the Fund or to which the Fund is subject and other general operating expenses.

Administrative expenses include other unitholder communications, fees payable to the Valuation Agent and the independent pricing service for performing certain valuation services; fees payable to the registrar and transfer agent for performing certain financial, record keeping, reporting and general administrative services; fees payable to accountants; ongoing regulatory fees, licensing fees and other fees; and expenses relating to portfolio transactions.

The Manager may establish an upper limit on the total annual operating expenses of the Fund. The Manager or its affiliates may pay for certain operating expenses of the Fund in order to maintain the Fund’s annual operating expenses within any such established limit. The amounts absorbed by the Manager, if any, are shown in the Statements of comprehensive income. The Manager may cease to absorb expenses at any time.

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 period ended June 30, 2016, \$7,993 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.

#### 10. RELATED PARTY TRANSACTIONS

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

(a) Management and performance fees

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2016 (unaudited) (continued)

Under the terms of the investment management agreement, the Fund appointed the Manager to provide management services (see Note 9, Fees and Operating Expenses). Total management fees for the six months ended June 30, 2016 amounted to \$26,895 (June 30, 2015: \$164) and are reported in the Statements of comprehensive income, with \$3,015 in outstanding accrued fees (December 31, 2015: \$157) due to the Manager at June 30, 2016 reported in the Statements of financial position. Performance fees for the period ended June 30, 2016 amounted to \$nil (June 30, 2015: nil) with nil in outstanding accrued fees due to the Manager at June 30, 2016 (December 31, 2015: nil).

In order to establish the Fund, the Manager contributed \$10.00 in exchange for 1 Class A Unit of the Fund, which was subsequently cancelled upon the first issuance of units to external unitholders on January 21, 2015.

#### (b) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee attributable to the Fund during the period ended June 30, 2016 was \$1,508 (June 30, 2015 - \$131) and is reported in the Statements of comprehensive income and consisted only of fixed fees. There were no outstanding payables relating to Independent Review Committee fees as at June 30, 2016 and December 31, 2015.

# Next Edge Bio-Tech Plus Fund

## General information

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