

Next Edge Bio-Tech Plus Fund

Annual Financial Statements - 2017
As at and for the year ended December 31, 2017



NEXTEGE
CAPITAL

Next Edge Bio-Tech Plus Fund

Annual financial statements

December 31, 2017

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Next Edge Bio-Tech Plus Fund

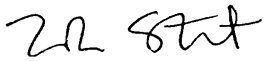
Management's responsibility for financial reporting

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 Financial Reporting Standards ("IFRS") and, where appropriate, reflect management's judgment and best estimates.

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

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

Respectfully,



Toreigh N. Stuart
Chief Executive Officer



David Scobie
Chief Operating Officer

Next Edge Capital Corp.
April 2, 2018

INDEPENDENT AUDITORS' REPORT

To the unitholders of
Next Edge Bio-Tech Plus Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Toronto, Canada
April 2, 2018

Ernst & Young LLP

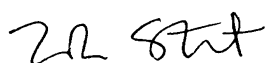
Chartered Professional Accountants
Licensed Public Accountants



Next Edge Bio-Tech Plus Fund
Statements of financial position

As at December 31,	Notes	2017	2016
ASSETS			
Current assets			
Financial assets at fair value through profit or loss			
Equities	5,6	11,616,356	7,862,484
Purchased options	5,6	219,788	185,119
Cash		1,220,302	842,418
Subscriptions receivable		20,000	2,740
Receivable for investments sold		77,754	107,298
Interest receivable and other receivables		1,259	1,259
Dividends receivable		2,412	1,120
		13,157,871	9,002,438
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit or loss			
Written options	5,6	34,676	-
Payable for investments purchased		63,007	355,524
Management fees payable	9,10	9,326	4,760
Accrued liabilities		25,906	66,316
		132,915	426,600
Net assets attributable to holders of redeemable units		13,024,956	8,575,838
Net assets attributable to holders of redeemable units per class			
Class A		3,740,962	1,996,614
Class A1		2,121,357	2,246,458
Class F		5,327,648	2,591,255
Class F1		1,834,989	1,741,511
		13,024,956	8,575,838
Number of redeemable units outstanding per class			
Class A	7	366,482	222,317
Class A1	7	195,048	233,650
Class F	7	493,279	271,119
Class F1	7	164,675	177,567
Net assets attributable to holders of redeemable units per unit			
Class A		10.21	8.98
Class A1		10.88	9.61
Class F		10.80	9.56
Class F1		11.14	9.81

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 (loss)

For the years ended December 31,	Notes	2017	2016
Income			
Interest income for distribution purposes		26,670	13,981
Dividends		20,675	15,633
Foreign currency gain (loss) on cash and other net assets		(14,316)	3,614
Other changes in fair value of investments and derivatives			
Net realized gain on sale of investments		612,358	278,696
Net change in unrealized appreciation on investments	6	1,336,213	67,939
Net gains on investments		1,948,571	346,635
Total income		1,981,600	379,863
Expenses			
Management fees	9,10	143,421	73,888
Performance fees	9,10	759,424	-
Administrative fees		109,310	62,706
Unitholder reporting costs		17,823	13,902
Audit fees		23,290	15,900
Custody fees		3,500	7,365
Legal fees		59,354	53,397
Independent Review Committee fees	10	6,345	3,850
Harmonized Sales Tax		52,469	16,828
Withholding tax		85	-
Transaction costs		295,914	137,172
		1,505,892	385,008
Less: expenses absorbed by the Manager		(521,285)	-
Total expenses		949,650	385,008
Increase (decrease) in net assets attributable to holders of redeemable units		1,031,950	(5,145)
Increase (decrease) in net assets attributable to holders of redeemable units per class			
Class A		282,323	81,655
Class A1		286,560	(290,339)
Class F		224,480	255,750
Class F1		238,587	(52,211)
		1,031,950	(5,145)
Average number of units outstanding			
Class A		320,512	160,605
Class A1		215,980	282,987
Class F		363,953	185,458
Class F1		171,231	135,358

The accompanying notes are an integral part of these financial statements

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

For the years ended December 31,	Notes	2017	2016
Increase (decrease) in net assets attributable to holders of redeemable units per unit			
Class A		0.88	0.51
Class A1		1.33	(1.03)
Class F		0.62	1.38
Class F1		1.39	(0.39)

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

For the years ended December 31,	2017	2016
<u>Class A</u>		
Beginning of year	1,996,614	704,891
Increase in net assets attributable to holders of redeemable units		
from operations	282,323	81,655
Proceeds from issuance of units	2,046,934	1,865,127
Consideration paid for redemption of units	(584,909)	(655,059)
End of year	3,740,962	1,996,614
<u>Class A1</u>		
Beginning of year	2,246,458	3,166,150
Increase (decrease) in net assets attributable to holders of redeemable		
units from operations	286,560	(290,339)
Proceeds from issuance of units	-	1,505
Consideration paid for redemption of units	(411,661)	(630,858)
End of year	2,121,357	2,246,458
<u>Class F</u>		
Beginning of year	2,591,255	340,915
Increase in net assets attributable to holders of redeemable units		
from operations	224,480	255,750
Proceeds from issuance of units	3,725,910	2,477,660
Consideration paid for redemption of units	(1,213,997)	(483,070)
End of year	5,327,648	2,591,255
<u>Class F1</u>		
Beginning of year	1,741,511	1,254,214
Increase (decrease) in net assets attributable to holders of redeemable		
units from operations	238,587	(52,211)
Proceeds from issuance of units	279,743	544,647
Consideration paid for redemption of units	(424,852)	(5,139)
End of year	1,834,989	1,741,511

The accompanying notes are an integral part of these financial statements

Next Edge Bio-Tech Plus Fund

Statements of cash flows

For the years ended December 31,	2017	2016
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	1,031,950	(5,145)
Adjustments to reconcile increase in net assets attributable to holders to net cash from operating activities		
Proceeds from sale of investments	25,636,775	13,697,148
Purchase of investments	(27,705,042)	(15,792,317)
Foreign currency (gain) loss on cash and other net assets	14,316	(3,614)
Change in unrealized (appreciation) depreciation of investments and derivatives	(1,336,213)	(67,939)
Net realized gain on sale of investments and derivatives	(612,358)	(278,696)
Increase in interest receivable and other receivables	-	(1,259)
Increase in dividends receivable	(1,292)	(200)
(Decrease) increase in other payables and accrued liabilities	(35,844)	31,642
Net cash used in operating activities	(3,007,708)	(2,420,380)
Cash flows from financing activities		
Proceeds from redeemable units issued	6,035,327	4,893,199
Amount paid on redemption of redeemable units	(2,635,419)	(1,784,413)
Net cash provided by financing activities	3,399,908	3,108,786
Foreign currency gain (loss) on cash and other net assets	(14,316)	3,614
Net increase in cash	392,200	688,406
Cash, beginning of year	842,418	150,398
Cash, end of year	1,220,302	842,418
Cash comprises:		
Cash at bank	1,220,302	842,418
Interest received	26,670	12,722
Dividends received, net of withholding taxes	19,298	15,433

The accompanying notes are an integral part of these financial statements

Next Edge Bio-Tech Plus Fund

Schedule of investments

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	Long Positions (90.9%)		
	Canadian Equities (31.2%)		
	Biotechnology (0.1%)		
20,000	RepliCel Life Sciences Inc. Warrants, June 25, 2018 - Strike Price \$0.51	-	955
288,000	RepliCel Life Sciences Inc. Warrants, October 28, 2018 - Strike Price \$0.85	-	8,810
	Biotechnology Total	-	9,765
	Healthcare Equipment & Services (19.3%)		
335,000	Antibe Therapeutics Inc. Warrants December 15, 2018 - Strike Price \$0.22	-	13,164
25,000	Aurinia Pharmaceuticals Inc.	172,438	143,000
265,000	Centric Health Corp.	140,590	137,800
420,000	CVR Medical Corp.	181,119	147,000
130,000	CVR Medical Corp., Warrants, October 19, 2018 - Strike Price \$0.70	-	4,190
49,000	Extencicare Inc.	438,125	448,350
413,200	LED Medical Diagnostics Inc.	256,250	239,656
166,667	LED Medical Diagnostics Inc., Warrants, February 11, 2019 – Strike Price \$1.00	-	23,252
18,000	Medicure Inc.	145,547	134,100
660,000	Patient Home Monitoring Corp.	96,712	112,200
132,000	Prometic Life Sciences Inc.	182,526	171,600
200,000	ProMIS Neurosciences Inc., Warrants, August 9, 2022 - Strike Price \$0.30	-	10,082
310,000	ProMIS Neurosciences Inc., Warrants, February 10, 2020 - Strike Price \$0.20	-	21,729
1,930,000	SQI Diagnostics Inc.	322,138	366,700
500,000	SQI Diagnostics Inc., Warrants, December 19, 2022 – Strike Price \$0.20	-	71,893
845,000	SQI Diagnostics Inc., Warrants, March 10, 2022 - Strike Price \$0.21	-	114,300
337,000	Theralase Technologies Inc. Warrants March 3, 2020 - Strike Price \$0.54	15,000	20,996
666,666	Titan Medical Inc., Warrants, June 29, 2022 - Strike Price \$0.20	-	146,846
200,000	Titan Medical Inc., Warrants, March 16, 2019 - Strike Price \$0.40	-	12,969
200,000	Titan Medical Inc., Warrants, March 16, 2021 - Strike Price \$0.50	-	17,865
60,000	Viemed Healthcare Inc.	99,000	150,000
	Healthcare Equipment & Services Total	2,049,445	2,507,692

The accompanying notes are an integral part of these financial statements

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

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	Pharmaceuticals & Biotechnology (11.9%)		
785,000	Antibe Therapeutics Inc.	99,755	113,825
240,000	Ceapro Inc.	191,559	120,000
47,500	Ceapro Inc. Warrants July 08, 2018 - Strike Price \$1.50	-	2
90,400	Cipher Pharmaceuticals Inc.	484,779	442,961
1,570,000	Microbix Biosystems Inc.	563,240	478,850
212,500	Microbix Biosystems Inc. Warrants, October 18, 2020 - Strike Price \$0.36	-	27,660
200,000	Microbix Biosystems Inc. Warrants, October 9, 2020 - Strike Price \$0.55	-	19,329
1,725,000	Promis Neurosciences Inc.	258,072	345,000
	Pharmaceuticals & Biotechnology Total	1,597,405	1,547,627
	Total Canadian Equities	3,646,850	4,065,084
	United States Equities (48.7%)		
	Biotechnology (2.1%)		
11,000	Halozyme Therapeutics Inc.	180,031	279,231
	Biotechnology Total	180,031	279,231
	Pharmaceuticals (40.0%)		
9,200	Acadia Pharmaceuticals Inc.	359,475	347,081
4,400	FibroGen Inc.	135,806	261,314
14,200	Intra-Cellular Therapies Inc.	264,815	257,625
155,000	MRI Interventions Inc.	416,246	534,068
125,000	MRI Interventions Inc., Warrants, May 26, 2022 - Strike Price \$2.20	-	213,892
4,800	Neurocrine Biosciences Inc.	290,380	466,637
20,000	Neurotrope Inc.	115,774	176,415
55,000	Ohr Pharmaceutical Inc.	50,328	128,176
3,800	Portola Pharmaceuticals Inc.	167,702	231,775
15,000	Recro Pharma Inc.	143,148	173,846
1,500	Sage Therapeutics Inc.	88,457	309,559
4,500	Sarepta Therapeutics Inc.	192,003	313,712
13,000	Selecta Biosciences Inc.	169,721	159,788
4,600	Spark Therapeutics Inc.	313,146	296,361
128,000	Synergy Pharmaceuticals Inc.	636,525	357,640
13,000	Tocagen Inc.	182,225	166,955
12,500	Voyager Therapeutics Inc.	164,409	259,986
37,000	VTV Therapeutics Inc.	249,053	278,617
47,000	Zafgen Inc.	226,061	272,064
	Pharmaceuticals Total	4,165,274	5,205,511

The accompanying notes are an integral part of these financial statements

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

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	Pharmaceuticals & Biotechnology (6.6%)		
5,800	Accelaron Pharma Inc.	214,401	308,415
8,000	Luminex Corp.	203,412	197,464
15,625	Neurotrope Inc., Warrants, November 17, 2021 - Strike Price \$0.40	-	64,065
12,900	Paratek Pharmaceuticals Inc.	359,667	289,317
	Pharmaceuticals & Biotechnology Total	777,480	859,261
	Total United States Equities	5,122,785	6,344,003
	International Equities (9.3%)		
	Biotechnology (2.4%)		
2,000	Genfit	80,138	71,348
9,500	Novocure Ltd.	138,881	240,440
	Biotechnology Total	219,019	311,788
	Healthcare (6.9%)		
16,400	AC Immune SA	177,670	263,018
25,000	Axovant Sciences Ltd.	170,958	165,075
4,000	GENFIT	115,024	143,953
18,000	Nabriva Therapeutics PLC	146,701	134,867
140,000	ReWalk Robotics Ltd.	230,571	188,568
	Healthcare Total	840,924	895,481
	Total International Equities	1,059,943	1,207,269
	Total Equities	9,829,578	11,616,356
	Options (1.7%)		
	Purchased Options (See Options Details)	287,117	219,788
	Total Long Positions	10,116,695	11,836,144
	Short Position (-0.3%)		
	Written Options (See Options Details)	(27,315)	(34,676)
	Total Short Position	(27,315)	(34,676)
	Transaction Costs	(42,755)	-
	Total Investment Portfolio and Options (90.6%)	10,046,625	11,801,468
	Cash (9.4%)		1,220,302
	Other net assets (0.0%)		3,186
	Total Net Assets (100.0%)		13,024,956

The accompanying notes are an integral part of these financial statements

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

Options Details

Underlying Interest	Option Type	Number of Options	Strike Price (\$)	Expiry Date	Average Cost (\$)	Fair Value (\$)
Knight Therapeutics Inc.	Call	25	7	Apr 20, 2018	2,375	3,438
Acadia Pharmaceutical Inc.	Call	350	35	Jan 19, 2018	39,149	6,578
Galapagos NV	Call	300	120	Jan 19, 2018	35,142	12,884
Intercept Pharmaceuticals	Call	50	70	Jan 19, 2018	12,761	3,445
La Jolla Pharmaceutical Co.	Call	40	35	Feb 16, 2018	6,265	7,142
Luminex Corporation	Call	150	22.5	Jan 19, 2018	10,024	1,032
Neurotrope Inc.	Call	150	7.5	Jan 19, 2018	8,833	6,834
OHR Pharmaceutical Inc.	Call	620	2.5	Apr 20, 2018	43,729	46,423
Synergy Pharmaceutical Inc.	Call	680	3.5	Jan 19, 2018	24,582	6,405
Currencyshares Canadian	Call	450	78	Mar 16, 2018	42,801	77,526
Total Purchased Call Options					225,661	171,707
SPDR S&P 500 Trust	Put	50	260	Feb 16, 2018	9,084	10,744
SPDR S&P 500 Trust	Put	400	260	Jan 19, 2018	52,372	37,337
Total Purchased Put Options					61,456	48,081
Total Purchased Options					287,117	219,788
Underlying Interest	Option Type	Number of Options	Strike Price (\$)	Expiry Date	Average Cost (\$)	Fair Value (\$)
Halozyme Therapeutics Inc.	Call	(50)	20	Jan 19 2018	(6,265)	(7,048)
Sage Therapeutics Inc.	Call	(15)	160	Jan 19, 2018	(21,050)	(27,628)
Total Written Call Options					(27,315)	(34,676)
Total Written Options					(27,315)	(34,676)
Total Options					259,802	185,112

The accompanying notes are an integral part of these financial statements

Next Edge Bio-Tech Plus Fund

Notes to the financial statements

December 31, 2017 and 2016

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 and governed by a declaration of trust dated December 1, 2014. 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. 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.

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 April 2, 2018.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") 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 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 ("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 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 Bio-Tech Plus Fund

Notes to the financial statements (continued)

December 31, 2017 and 2016

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.

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 (loss). When a purchased option expires, the Fund will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the Fund will realize will be the difference between the proceeds and the premium paid. When a purchased call option is exercised, the premium paid is added to the cost of acquiring the underlying security. When a purchased put option is exercised, the premium paid is subtracted from the proceeds from the sale of the underlying security that had to be sold.

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

All unlisted warrants have been calculated using the 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

Next Edge Bio-Tech Plus Fund

Notes to the financial statements (continued)

December 31, 2017 and 2016

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.

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.

Next Edge Bio-Tech Plus Fund

Notes to the financial statements (continued)

December 31, 2017

Cash

Cash comprises 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.

Income and expense allocation

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

Taxation

The Fund is a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any 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.

Future accounting standards - IFRS 9, *Financial Instruments*

IFRS 9, *Financial Instruments* replaces IAS 39, *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after January 1, 2018, with early application permitted. IFRS 9 brings together three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Fund will adopt IFRS 9 for annual periods beginning January 1, 2018. Based on the Fund's business model and contractual cash flow characteristics, the Manager anticipates that all portfolio investments will continue to be measured at fair value. As the Fund does not apply hedge accounting and primarily all financial instruments are measured at fair value, the Manager expects no significant impact on the Fund's net assets and results of operations on adoption of IFRS 9.

Next Edge Bio-Tech Plus Fund

Notes to the financial statements (continued)

December 31, 2017

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, *Revenue from Contracts with Customers* establishes a five-step model to account for revenue arising from contracts with customers and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Given that primarily all of the revenue streams of the Funds fall outside of the scope of IFRS 15, the Manager has assessed that there is minimal impact to the financial statements arising on the adoption of this standard.

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 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).

Next Edge Bio-Tech Plus Fund
Notes to the financial statements (continued)
December 31, 2017

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	
	Dec 31, 2017	Dec 31, 2016
United States equity	48.7%	54.1%
Canadian equity	31.2%	31.7%
Cash and cash equivalents	9.4%	9.8%
International equity	9.3%	5.9%
Equity options	1.0%	0.8%
Equity index options	0.4%	1.3%
Total investments	100.0%	103.6%
Other net assets (liabilities)	-	(3.6%)
Total net asset value	100.0%	100.0%

Portfolio by Industry	% of Net Asset Value	
	Dec 31, 2017	Dec 31, 2016
Pharmaceuticals	40.3%	45.1%
Healthcare equipment and services	26.2%	16.3%
Pharmaceuticals and biotechnology	18.5%	16.2%
Cash and cash equivalents	9.4%	9.9%
Biotechnology	4.6%	14.8%
Equity index options	1.0%	1.3%
Total investments	100.0%	103.6%
Other net assets (liabilities)	-	(3.6%)
Total net asset value	100.0%	100.0%

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Notes to the financial statements (continued)
December 31, 2017

Portfolio by Country	% of Net Asset Value	
	Dec 31, 2017	Dec 31, 2016
United States	50.0%	56.2%
Canada	31.2%	31.7%
Cash and cash equivalents	9.4%	9.8%
Switzerland	2.0%	-
Jersey	1.8%	-
France	1.8%	-
Israel	1.4%	3.2%
Bermuda	1.3%	-
Ireland	1.0%	-
Belgium	0.1%	1.4%
United Kingdom	-	1.3%
Total investments	100.0%	103.6%
Other net assets (liabilities)	-	(3.6%)
Total net asset value	100.0%	100.0%

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

As at December 31, 2017 and 2016, the Fund has no exposure to debt instruments.

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.

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Notes to the financial statements (continued)
December 31, 2017

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.

December 31, 2017

Financial liabilities	On demand	< 3 months	Total
Written options	34,676	-	34,676
Payable for investments purchased	63,007	-	63,007
Management and performance fees payable	-	9,326	9,326
Accrued expenses	-	25,906	25,906
	<u>97,683</u>	<u>35,232</u>	<u>132,915</u>

December 31, 2016

Financial liabilities	On demand	< 3 months	Total
Payable for investments purchased	355,524	-	355,524
Management and performance fees payable	-	4,760	4,760
Accrued expenses	-	66,316	66,316
	<u>355,524</u>	<u>71,076</u>	<u>426,600</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 table below indicates the foreign currencies to which the Fund had significant exposure as at December 31, 2017 and 2016 in CAD terms. The table also illustrates the potential impact on the net assets attributable to holders of

Next Edge Bio-Tech Plus Fund
Notes to the financial statements (continued)
December 31, 2017

redeemable units if CAD had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

December 31, 2017	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary
United States Dollar	297,334	7,621,262	7,918,596	14,867	381,063	395,930
Euro	-	143,953	143,953	-	7,198	7,198
% of net assets attributable to holders of redeemable units	2.3%	59.6%	61.9%	0.1%	3.0%	3.1%

December 31, 2016	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary
United States Dollar	620,891	5,013,241	5,634,132	31,045	250,662	281,707
% of net assets attributable to holders of redeemable units	7.2%	58.5%	65.7%	0.4%	2.9%	3.3%

(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.

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 December 31, 2017, 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 \$583,265, or 4.5% (2016: \$609,963, or 7.1%). 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.

(c) Biotechnology sector risk

Companies within the biotechnology 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 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.

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Notes to the financial statements (continued)
December 31, 2017

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.

As at December 31, 2017 and 2016, the financial instruments measured at fair value in the Statements of financial position are grouped into the fair value hierarchy as follows:

December 31, 2017	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Equities – long	9,994,317	1,622,039	-	11,616,356
Purchased options	219,788	-	-	219,788
Written options	(34,676)	-	-	(34,676)
	10,179,429	1,622,039	-	11,801,468
December 31, 2016	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Equities – long	6,781,408	1,081,076	-	7,862,484
Purchased options	185,119	-	-	185,119
	6,966,527	1,081,076	-	8,047,603

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 Levels 1 and 2 of the fair value hierarchy during the years ended December 31, 2017 and 2016.

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 FVTPL. The Fund's derivative assets and derivative liabilities are classified as held for trading ("HFT") and are measured at FVTPL. 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 December 31, 2017 and 2016:

Next Edge Bio-Tech Plus Fund
Notes to the financial statements (continued)
December 31, 2017

As at December 31, 2017:

Assets	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Financial assets at amortized cost \$	Total \$
Equities	-	11,616,356	-	11,616,356
Purchased options	219,788	-	-	219,788
Cash	-	-	1,220,302	1,220,302
Subscriptions receivable	-	-	20,000	20,000
Receivable for investments sold	-	-	77,754	77,754
Interest receivable and other receivables	-	-	1,259	1,259
Dividends receivable	-	-	2,412	2,412
Total	219,788	11,616,356	1,321,727	13,157,871

Liabilities	Financial liabilities classified as held for trading \$	Financial liabilities designated at FVTPL \$	Financial liabilities at amortized cost \$	Total \$
Written options	34,676	-	-	34,676
Payable for investments purchased	-	-	63,007	63,007
Management fees payable	-	-	9,326	9,326
Accrued expenses	-	-	25,906	25,906
Total	34,676	-	98,239	132,915

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

	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Total \$
Net realized gain (loss) on investments and derivatives	(1,614,042)	2,226,400	612,358
Change in unrealized appreciation on investments	(19,691)	1,355,904	1,336,213
Total	(1,633,733)	3,582,304	1,948,571

Next Edge Bio-Tech Plus Fund
Notes to the financial statements (continued)
December 31, 2017

As at December 31, 2016:

Assets	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Financial assets at amortized cost \$	Total \$
Equities	-	7,862,484	-	7,862,484
Purchased options	185,119	-	-	185,119
Cash	-	-	842,418	842,418
Subscriptions receivable	-	-	2,740	2,740
Receivable for investments sold	-	-	107,298	107,298
Interest receivable and other receivables	-	-	1,259	1,259
Dividends receivable	-	-	1,120	1,120
Total	185,119	7,862,484	954,835	9,002,438

Liabilities	Financial liabilities classified as held for trading \$	Financial liabilities designated at FVTPL \$	Financial liabilities at amortized cost \$	Total \$
Payable for investments purchased	-	-	355,524	355,524
Management fees payable	-	-	4,760	4,760
Accrued expenses	-	-	66,316	66,316
Total	-	-	426,600	426,600

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

	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Total \$
Net realized gain (loss) on investments and options	(382,657)	661,353	278,696
Change in unrealized appreciation on investments	(11,942)	79,881	67,939
Total	(394,599)	741,234	346,635

7. REDEEMABLE UNITS

For the years ended December 31, 2017 and 2016, 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

Next Edge Bio-Tech Plus Fund
Notes to the financial statements (continued)
December 31, 2017

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 years ended December 31, 2017 and 2016 for each respective class is summarized in the following tables.

For the years ended	December 31, 2017	December 31, 2016
Class A		
Balance, beginning	222,317	71,474
Units issued for cash	202,226	231,594
Units redeemed	(58,061)	(80,751)
Balance, ending	366,482	222,317
Class A1		
Balance, beginning	233,650	303,529
Units issued for cash	-	174
Units redeemed	(38,602)	(70,053)
Balance, ending	195,048	233,650
Class F		
Balance, beginning	271,119	32,773
Units issued for cash	340,979	293,348
Units redeemed	(118,819)	(55,002)
Balance, ending	493,279	271,119
Class F1		
Balance, beginning	177,567	119,014
Units issued for cash	25,738	59,130
Units redeemed	(38,630)	(577)
Balance, ending	164,675	177,567

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.

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Notes to the financial statements (continued)

December 31, 2017

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 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 determined under the Tax Act based on the redemptions of units during the year (the “Capital Gains Refund”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the disposition of securities in connection with the redemption of units.

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

As at December 31, 2017, the Fund had nil capital (2016: nil) and \$1,451,830 (2016: \$319,141) non-capital losses for tax purposes of which \$80,510 will expire in 2035, \$238,631 will expire in 2036, and \$1,132,689 will expire in 2037 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 NAV represented by the Class A units, (ii) 1.00% of the portion of its NAV represented by the Class A1 units, (iii) 1.25% of the portion of its NAV represented by the Class F units, and (iv) 0% of the portion of NAV 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

Next Edge Bio-Tech Plus Fund

Notes to the financial statements (continued)
December 31, 2017

within any such established limit. The amounts absorbed by the Manager, if any, are shown in the Statements of comprehensive income (loss). 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 year ended December 31, 2017, \$46,724 (2016: \$35,389) of “soft dollars”, in which a brokerage firm is paid for its services through commission revenue by executing trades at the brokerage, were used to pay for operating expenses of the Fund.

Performance fees

The Fund will pay to the Manager in respect of each fiscal quarter of the Fund a performance fee if the percentage gain in the NAV per unit of a class of units of the Fund over the preceding fiscal quarter or quarters since a performance fee was last payable, exceeds the percentage gain or loss of the benchmark (the “Benchmark”), over the same period, and 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.

The performance fee will be equal to this excess return per unit multiplied by the number of units outstanding at the end of the quarter multiplied by 20%.

The Benchmark for the Fund 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.

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 (see Note 9, Fees and Operating Expenses). Total management fees for the year ended December 31, 2017 amounted to \$143,421 (2016: \$73,888) and are reported in the Statements of comprehensive income (loss), with \$9,326 in outstanding accrued fees (December 31, 2016: \$4,760) due to the Manager as at December 31, 2017 reported in the Statements of financial position. Performance fees for the year ended December 31, 2017 amounted to \$759,424 (2016: nil), with \$521,285 absorbed by the Manager (December 31, 2016: nil), with nil in outstanding accrued fees due to the Manager as at December 31, 2017 (2016: nil).

(b) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee attributable to the Fund during the year ended December 31, 2017 was \$6,345 (2016 - \$3,850) and is reported in the Statements of comprehensive income (loss) and consisted only of fixed fees. There were no outstanding payables relating to Independent Review Committee fees as at December 31, 2017 and 2016.

Next Edge Bio-Tech Plus Fund

General information

MANAGER AND PRINCIPAL DISTRIBUTOR

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www.nextedgecapital.com

CUSTODIAN, REGISTRAR, TRANSFER AGENT AND VALUATION AGENT

Effective May 9, 2016:

RBC Investor & Treasury Services
155 Wellington Street West
Toronto, ON M5V 3H6

www.rbcits.com

Registrar, Transfer Agent and Valuation Agent until May 8, 2016:

Citigroup Fund Services Canada Inc.
5900 Hurontario Street, Suite 100
Mississauga, ON L5R 0E8

Custodian until May 8, 2016:

CIBC Mellon Trust Company
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Toronto, ON M5H 4A6

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