

# Next Edge Bio-Tech Plus Fund

Unaudited Semi-Annual Financial Statements – 2018  
As at and for the six months ended June 30, 2018



**NEXTEGE**  
CAPITAL

Next Edge Bio-Tech Plus Fund  
Unaudited semi-annual financial statements  
June 30, 2018

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## Next Edge Bio-Tech Plus Fund

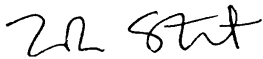
### Management's responsibility for financial reporting

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 control 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



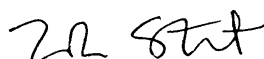
David Scobie  
Chief Operating Officer

Next Edge Capital Corp.  
August 29, 2018

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

As at	Notes	June 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Investments			
Equities and Bond	5	18,405,585	11,616,356
Purchased options	5	572,936	219,788
Cash		2,289,278	1,220,302
Subscriptions receivable		60,300	20,000
Receivable for investments sold		365,687	77,754
Interest and other receivables		2,114	1,259
Dividends receivable		3,079	2,412
		<b>21,698,979</b>	<b>13,157,871</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss			
Written options	5	62,410	34,676
Redemptions payable		5,000	-
Payable for investments purchased		67,052	63,007
Management fees payable	8,9	17,431	8,841
Harmonized sales tax payable		2,674	1,870
Accrued liabilities		27,049	24,521
		<b>181,616</b>	<b>132,915</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>21,517,363</b>	<b>13,024,956</b>
<b>Net assets attributable to holders of redeemable units per class</b>			
Class A		6,895,816	3,740,962
Class A1		2,056,903	2,121,357
Class F		10,688,885	5,327,648
Class F1		1,875,759	1,834,989
		<b>21,517,363</b>	<b>13,024,956</b>
<b>Number of redeemable units outstanding per class</b>			
Class A	6	647,531	366,482
Class A1	6	180,083	195,048
Class F	6	943,591	493,279
Class F1	6	159,453	164,675
<b>Net assets attributable to holders of redeemable units per unit</b>			
Class A		10.65	10.21
Class A1		11.42	10.88
Class F		11.33	10.80
Class F1		11.76	11.14

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 six-months ended June 30,	Notes	2018	2017
<b>Income</b>			
Interest income for distribution purposes		3,997	2,596
Dividends		14,867	7,680
Foreign currency gain (loss) on cash and other net assets		21,697	(5,281)
Other changes in fair value of investments and derivatives			
Net realized gain on sale of investments		661,355	129,360
Net change in unrealized appreciation (depreciation) on investments		559,783	2,170,768
Net gains on investments		1,221,138	2,300,128
<b>Total income</b>		<b>1,261,699</b>	<b>2,305,123</b>
<b>Expenses</b>			
Management fees	8,9	115,692	29,828
Performance fees	8,9	-	269,097
Administrative fees		35,363	49,018
Unitholder reporting costs		20,984	10,750
Audit fees		16,440	11,250
Custodian fees		1,821	1,758
Legal fees		27,045	31,365
Independent Review Committee fees	9	9,720	4,074
Harmonized Sales Tax		14,398	40,680
Transaction costs		340,493	121,227
<b>Total expenses</b>		<b>581,956</b>	<b>569,047</b>
<b>Increase in net assets attributable to holders of redeemable units</b>		<b>679,743</b>	<b>1,736,076</b>
<b>Increase in net assets attributable to holders of redeemable units per class</b>			
Class A		70,621	478,085
Class A1		106,069	422,634
Class F		400,719	490,291
Class F1		102,334	345,066
		679,743	1,736,076
<b>Average number of units outstanding</b>			
Class A		484,942	287,417
Class A1		191,545	224,358
Class F		653,820	294,366
Class F1		161,433	179,196
<b>Increase in net assets attributable to holders of redeemable units per unit</b>			
Class A		0.15	1.66
Class A1		0.55	1.88
Class F		0.61	1.67
Class F1		0.63	1.93

*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 six months ended June 30,	2018	2017
<u>Class A</u>		
Beginning of period	3,740,962	1,996,614
Increase in net assets attributable to holders of redeemable units from operations	70,621	478,085
Proceeds from issuance of units	3,370,712	1,443,623
Consideration paid for redemption of units	(286,479)	(406,736)
End of period	6,895,816	3,511,586
<u>Class A1</u>		
Beginning of period	2,121,357	2,246,458
Increase in net assets attributable to holders of redeemable units from operations	106,069	422,634
Consideration paid for redemption of units	(170,523)	(227,965)
End of period	2,056,903	2,441,127
<u>Class F</u>		
Beginning of period	5,327,648	2,591,255
Increase in net assets attributable to holders of redeemable units from operations	400,719	490,291
Proceeds from issuance of units	5,146,212	2,321,681
Consideration paid for redemption of units	(185,694)	(682,597)
End of period	10,688,885	4,720,630
<u>Class F1</u>		
Beginning of period	1,834,989	1,741,511
Increase in net assets attributable to holders of redeemable units from operations	102,334	345,066
Proceeds from issuance of units	63,716	181,113
Consideration paid for redemption of units	(125,280)	(206,950)
End of period	1,875,759	2,060,740

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

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

For the six months ended June 30,	2018	2017
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to holders of redeemable units	679,743	1,736,076
<b>Adjustments to reconcile increase in net assets attributable to holders to net cash from operating activities</b>		
Proceeds from sale of investments	24,913,325	13,029,627
Purchase of investments	(31,082,512)	(14,183,517)
Foreign currency (gain) loss on cash and other net assets	(21,697)	5,281
Change in unrealized (appreciation) depreciation of investments and derivatives	(567,989)	(2,170,768)
Net realized gain on sale of investments	(661,355)	(129,360)
Increase in interest and other receivables	(855)	-
Increase in dividends receivable	(667)	(240)
Increase (decrease) in other payables and accrued liabilities	11,922	(36,703)
<b>Net cash used in operating activities</b>	<b>(6,730,085)</b>	<b>(1,749,604)</b>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable units issued	8,540,340	3,784,544
Amount paid on redemption of redeemable units	(762,976)	(1,513,161)
<b>Net cash flows provided by financing activities</b>	<b>7,777,364</b>	<b>2,271,383</b>
Foreign currency gain (loss) on cash and other net assets	21,697	(5,281)
Net increase in cash	1,047,279	521,779
Cash, beginning of period	1,220,302	842,418
<b>Cash, end of period</b>	<b>2,289,278</b>	<b>1,358,916</b>
Cash comprises:		
Cash at bank	2,289,278	1,358,916
Interest received	3,142	2,596
Dividends received, net of withholding taxes	14,200	7,440

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

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

As at June 30, 2018

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Long Positions (89.5%)</b>		
	<b>Canadian Equities (27.3%)</b>		
	<b>Biotechnology (7.0%)</b>		
47,000	Aurinia Pharmaceuticals Inc.	324,842	355,320
325,000	DiaMedica Therapeutics Inc.	100,750	300,035
162,500	DiaMedica Therapeutics Inc., Warrants, March 19, 2020 - Strike Price \$0.35	-	69,285
1,950,000	Microbix Biosystems Inc.	678,511	575,250
212,500	Microbix Biosystems Inc. Warrants, October 18, 2020 - Strike Price \$0.36	-	15,962
200,000	Microbix Biosystems Inc. Warrants, October 9, 2020 - Strike Price \$0.55	-	8,180
160,000	Promis Neurosciences Inc.	63,685	60,800
200,000	ProMIS Neurosciences Inc., Warrants, August 9, 2022 - Strike Price \$0.30	-	38,082
310,000	ProMIS Neurosciences Inc., Warrants, February 10, 2020 - Strike Price \$0.20	-	68,447
288,000	RepliCel Life Sciences Inc. Warrants, October 28, 2018 - Strike Price \$0.85	-	1,371
	<b>Biotechnology Total</b>	<b>1,167,788</b>	<b>1,492,732</b>
	<b>Devices &amp; Software (7.4%)</b>		
130,000	CVR Medical Corp., Warrants, October 19, 2018 - Strike Price \$0.70	-	390
710,000	LED Medical Diagnostics Inc.	395,773	291,100
166,667	LED Medical Diagnostics Inc., Warrants, February 11, 2019- Strike Price \$1.00	-	5,756
355,000	Opsens Inc.	380,551	319,500
267,100	Profound Medical Corp.	267,393	256,416
2,180,000	SQL Diagnostics Inc.	369,863	348,800
500,000	SQL Diagnostics Inc., Warrants, December 20, 2022 - Strike Price \$0.20	-	46,306
845,000	SQL Diagnostics Inc., Warrants, March 10, 2022 - Strike Price \$0.21	-	69,997
337,000	Theralase Technologies Inc. Warrants March 3, 2020 - Strike Price \$0.54	15,000	46,724
22,222	Titan Medical Inc., Warrants, June 29, 2022 - Strike Price \$0.20	-	132,909
6,667	Titan Medical Inc., Warrants, March 16, 2019 - Strike Price \$0.40	-	12,678
6,667	Titan Medical Inc., Warrants, March 16, 2021 - Strike Price \$0.50	-	28,445
	<b>Devices &amp; Software Total</b>	<b>1,428,580</b>	<b>1,559,021</b>

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



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

As at June 30, 2018

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Healthcare Equipment &amp; Services (6.1%)</b>		
720,000	Centric Health Corp.	329,465	205,200
82,000	Extendicare Inc.	705,959	594,500
275,000	Hamilton Thorne Ltd.	238,156	250,250
1,900,000	Protech Home Medical Corp.	234,711	247,000
	<b>Healthcare Equipment &amp; Services Total</b>	<b>1,508,291</b>	<b>1,296,950</b>
	<b>Pharmaceuticals (6.8%)</b>		
335,000	Antibe Therapeutics Inc.	73,700	127,300
460,000	Ceapro Inc.	313,414	276,000
47,500	Ceapro Inc. Warrants July 8, 2018 - Strike Price \$1.50	-	-
180,000	Cipher Pharmaceuticals Inc.	802,673	525,600
10,000	Growforce Holdings Inc. - Rights	-	-
100,000	Growforce Holdings Inc.	165,000	165,000
48,000	Medicure Inc.	347,899	337,440
	<b>Pharmaceuticals Total</b>	<b>1,702,686</b>	<b>1,431,340</b>
	<b>Total Canadian Equities</b>	<b>5,807,345</b>	<b>5,780,043</b>
	<b>United States Equities (52.3%)</b>		
	<b>Biotechnology (41.8%)</b>		
89,000	Applied Genetic Technologies Corp.	554,664	433,175
50,000	Brainstorm Cell Therapeutics Inc.	297,930	256,511
5,000	FibroGen Inc.	199,242	411,734
14,000	Halozyme Therapeutics Inc.	250,765	310,681
5,800	Incyte Corp.	469,279	511,181
8,400	Ionis Pharmaceuticals Inc.	516,485	460,442
5,600	Neurocrine Biosciences Inc.	378,704	723,683
30,000	Neurotrope Inc.	249,927	382,005
15,625	Neurotrope Inc., Warrants, November 17, 2021 - Strike Price \$0.40	-	35,476
9,000	Portola Pharmaceuticals Inc.	432,395	447,159
1,200	Regeneron Pharmaceuticals Inc.	451,245	544,578
6,500	REGENXBIO Inc.	316,850	613,490
2,200	Sage Therapeutics Inc.	228,358	452,994
3,100	Sarepta Therapeutics Inc.	140,058	539,013
4,700	Spark Therapeutics Inc.	327,421	511,671
235,000	Synergy Pharmaceuticals Inc.	845,887	537,885
6,500	TESARO Inc.	428,096	380,235
31,000	Tocagen Inc.	407,890	380,873
4,800	Ultragenyx Pharmaceutical Inc.	330,113	485,367
17,000	Voyager Therapeutics Inc.	320,251	436,964
	<b>Biotechnology Total</b>	<b>7,145,560</b>	<b>8,855,117</b>

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

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

As at June 30, 2018

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Devices &amp; Software (4.8%)</b>		
170,000	MRI Interventions Inc.	478,165	480,794
125,000	MRI Interventions Inc., Warrants, May 26, 2022 - Strike Price \$2.20	-	209,004
60,000	Senseonics Holdings Inc.	307,481	324,388
	<b>Devices &amp; Software Total</b>	<b>785,646</b>	<b>1,014,186</b>
	<b>Pharmaceuticals (6.5%)</b>		
13,000	Collegium Pharmaceutical Inc.	293,455	407,853
153,800	IntelGenx Technologies Corp. Warrants, June 1, 2021 - Strike price \$0.80	-	56,829
153,800	IntelGenx Technologies Corp.	128,645	160,847
16,500	Intra-Cellular Therapies Inc.	329,090	383,524
29,000	Paratek Pharmaceuticals Inc.	588,420	389,108
	<b>Pharmaceuticals Total</b>	<b>1,339,610</b>	<b>1,398,161</b>
	<b>Total United States Equities</b>	<b>9,270,816</b>	<b>11,267,464</b>
	<b>United States Bond (0.6%)</b>		
100,000	IntelGenx Technologies Corp., Private Placements, June 1, 2021	128,645	131,544
	<b>United States Bond</b>	<b>128,645</b>	<b>131,544</b>
	<b>Total United States Equities and Bond</b>	<b>9,399,461</b>	<b>11,399,008</b>
	<b>International Equities (5.7%)</b>		
	<b>Biotechnology (2.8%)</b>		
27,000	AC Immune SA	310,077	330,308
7,500	Genfit	254,035	267,865
	<b>Biotechnology Total</b>	<b>564,112</b>	<b>598,173</b>
	<b>Devices &amp; Software (2.9%)</b>		
9,000	Novocure Ltd.	149,835	370,560
200,000	ReWalk Robotics Ltd.	316,031	257,801
	<b>Devices &amp; Software Total</b>	<b>465,866</b>	<b>628,361</b>
	<b>Total International Equities</b>	<b>1,029,978</b>	<b>1,226,534</b>
	<b>Total Equities and Bonds</b>	<b>16,236,784</b>	<b>18,405,585</b>
	<b>Options (2.7%)</b>		
	Purchased Options (See Options Detail)	507,235	572,936
	<b>Total Long Positions</b>	<b>16,744,019</b>	<b>18,978,521</b>

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

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

As at June 30, 2018

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Short Position (-0.3%)</b>		
	Written Options (See Options Detail)	(74,078)	(62,410)
	Transaction Costs	(76,663)	-
<b>Total Investment Portfolio and Options (87.9%)</b>		<b>16,593,278</b>	<b>18,916,111</b>
	Cash (10.6%)		2,289,278
	Other net assets (1.5%)		311,974
<b>Total Net Assets (100%)</b>			<b>21,517,363</b>

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

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

As at June 30, 2018

Options Details

Underlying Interest	Option Type	Number of Options	Strike Price (\$)	Expiry Date	Average Cost (\$)	Fair Value (\$)
Accelaron Pharma Inc.	Call	200	45	Aug 17, 2018	77,908	160,485
Flexion Therapeutics Inc.	Call	150	30	Aug 17, 2018	25,889	19,732
Galapagos NV	Call	100	125	Oct 19, 2018	37,886	31,370
Incyte Corp.	Call	43	85	Jul 20, 2018	3,535	424
Intercept Pharmaceuticals	Call	100	90	Jul 20, 2018	30,913	31,242
Invesco Currencyshares Cnd	Call	1,500	75	Sep 21, 2018	163,385	226,914
Neurotrope Inc.	Call	100	10	Oct 19, 2018	28,940	15,128
Neurotrope Inc.	Call	50	12.5	Oct 19, 2018	5,262	5,426
<b>Total Purchased Call Options</b>					<b>373,718</b>	<b>490,721</b>
Invesco QQQ Trust Ser1	Put	250	160	Aug 17, 2018	80,242	54,591
Ishares Nasdaq Biotech	Put	300	100	Aug 17, 2018	53,275	27,624
<b>Total Purchased Put Options</b>					<b>133,517</b>	<b>82,215</b>
<b>Total Purchased Options</b>					<b>507,235</b>	<b>572,936</b>
Underlying Interest	Option Type	Number of Options	Strike Price (\$)	Expiry Date	Average Cost (\$)	Fair Value (\$)
Fibrogen Inc.	Call	(50)	65	Jul 20, 2018	(12,300)	(10,195)
Neurocrine Biosciences Inc.	Call	(20)	105	Jul 20, 2018	(6,729)	(4,341)
Novocure Ltd.	Call	(40)	32.5	Jul 20, 2018	(5,788)	(4,209)
Regenxbio Inc.	Call	(30)	70	Jul 20, 2018	(13,812)	(25,651)
Sarepta Therapeutics	Call	(15)	145	Jul 20, 2018	(10,359)	(6,373)
Spark Therapeutics Inc.	Call	(20)	90	Jul 20, 2018	(7,893)	(3,749)
Ultragenyx Pharmaceutical	Call	(30)	80	Jul 20, 2018	(17,197)	(7,892)
<b>Total Written Call Options</b>					<b>(74,078)</b>	<b>(62,410)</b>
<b>Total Written Options</b>					<b>(74,078)</b>	<b>(62,410)</b>
<b>Total Options</b>					<b>433,157</b>	<b>510,526</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, 2018 (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.

Next Edge Capital Corp. (the “Manager”) is the trustee, manager, and portfolio manager of the Fund. The custodian, registrar, transfer agent and valuation agent of the Fund is RBC Investor & Treasury Services. 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, 2018.

## 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 (CAD), 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 classified 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 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.

### IFRS 9, *Financial Instruments*

#### Financial Instruments

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives, cash and other trade receivables and payables. All financial assets and liabilities are recognized in the Statements of financial position when the Fund becomes a party to the contractual requirements of the

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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2018 (unaudited) (continued)

instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership.

#### Transition to IFRS 9

Effective January 1, 2018, the Fund adopted IFRS 9 Financial Instruments. The new standard requires assets to be carried at amortized cost, fair value, with changes in fair value recognized in profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Assessment and decision on the business model approach used is an accounting judgement.

The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities previously classified as fair value through profit and loss (FVTPL) under IAS39 continued to be categorized as fair value through profit and loss (or any other single category of classification arrived at). There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

There was no impact on the Net Assets and the results of the Fund from the adoption of IFRS 9. The adoption of IFRS 9 has also been applied retrospectively and did not result in any changes in the prior period.

#### Classification and Measurement

Classification and measurement categories under IFRS 9 are amortized at cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). To determine the appropriate classification and measurement category, IFRS 9 requires an entity to consider the business model for managing financial instruments and the contractual cash flow characteristics associated with the financial instruments. The Fund has performed an assessment of the business model and contractual cash flows and did not have a significant impact on its Statements of financial position from applying the classification and measurement requirements of IFRS 9.

The Fund's business model is one in which financial assets are managed with the objective of realizing cash flows through the sale of assets. Decisions are made based on the assets' fair values and assets are managed to realize these fair values. This business model is aligned with a FVTPL classification and measurement category. The Fund expects to continue measuring at FVTPL all financial assets currently held at fair value. Debt securities are expected to be measured at FVTPL under IFRS 9 as the Fund does not expect to hold the assets to collect contractual cash flows based on their business model. Collection of the contractual cash flows is not integral to achieving the Fund's business model objective but is instead incidental to it.

Loans, as well as trade receivables, are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Fund expects that these will continue to be measured at amortized cost under IFRS 9.

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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2018 (unaudited) (continued)

#### Impairment

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

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

#### Fair value and subsequent measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Unlisted securities 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.

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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2018 (unaudited) (continued)

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 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

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



# Next Edge Bio-Tech Plus Fund

## Notes to the financial statements – June 30, 2018 (unaudited) (continued)

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 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 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 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 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 qualifies 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 7, Income Taxes.

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no standards issued but not yet effective up to the date of issuance of the Fund's financial statements. The Fund will adopt any applicable standards when they become effective.

### 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:

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

# Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2018 (unaudited) (continued)

## **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 currency risk, interest rate risk, and other price 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.

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

## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2018 (unaudited) (continued)

Portfolio by Asset Mix	% of Net Asset Value	
	Jun 30, 2018	Dec 31, 2017
United States equity	52.4%	48.7%
Canadian equity	26.9%	31.2%
Cash and cash equivalents	10.6%	9.4%
International equity	5.7%	9.3%
Equity options	2.2%	1.0%
United States Bond	0.6%	-
Equity index options	0.1%	0.4%
Total investments	98.5%	100.0%
Other net assets (liabilities)	1.5%	-
Total net asset value	100.0%	100.0%

Portfolio by Industry	% of Net Asset Value	
	Jun 30, 2018	Dec 31, 2017
Biotechnology	53.5%	4.6%
Devices and software	14.8%	-
Pharmaceuticals	12.1%	40.3%
Cash and cash equivalents	11.7%	9.4%
Healthcare equipment and services	6.0%	26.2%
Equity Index Options	0.4%	1.0%
Pharmaceuticals and biotechnology	-	18.5%
Healthcare	-	-
Equity Options	-	-
Total investments	98.5%	100.0%
Other net assets (liabilities)	1.5%	-
Total net asset value	100.0%	100.0%

Portfolio by Country	% of Net Asset Value	
	Jun 30, 2018	Dec 31, 2017
United States	55.2%	50.0%
Canada	26.9%	31.2%
Cash and cash equivalents	10.6%	9.4%
Jersey	1.7%	1.8%
Switzerland	1.5%	2.0%
France	1.2%	1.8%
Israel	1.2%	1.4%
Belgium	0.2%	0.1%
Bermuda	-	1.3%
Ireland	-	1.0%
Total investments	98.5%	100.0%
Other net assets (liabilities)	1.5%	-
Total net asset value	100.0%	100.0%

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

# Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2018 (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 is represented by their carrying amount as disclosed in the Statements of financial position.

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

The table below analyses the Fund's exposure of debt assets held by rating agency category as at June 30, 2018.

Counterparty	Credit Rating	June 30, 2018 CAD	Underlying Fund's net assets %
Intelgenx Technologies	Unrated	131,544	0.6
		<b>131,544</b>	<b>0.6</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 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 analyse 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.

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

## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2018 (unaudited) (continued)

June 30, 2018

Financial liabilities	On demand	< 3 months	Total
Written options	62,410		62,410
Redemptions payable	5,000		5,000
Payable for investments purchased	67,052		67,052
Management fees payable		17,431	17,431
Harmonized sales tax payable		2,674	2,674
Accrued liabilities		27,049	27,049
	134,462	47,154	181,616

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 fees payable	-	8,841	8,841
Harmonized sales tax payable		1,870	1,870
Accrued liabilities	-	24,521	24,521
	97,683	35,232	132,915

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 June 30, 2018 and December 31, 2017 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.

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

## Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2018 (unaudited) (continued)

June 30, 2018	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary
United States Dollar	876,315	13,357,142	14,233,457	43,816	667,857	711,673
Euro	-	144,615	144,615	-	7,231	7,231
% of net assets attributable to holders of redeemable units	4.1%	62.8%	66.9%	0.2%	3.1%	3.3%

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%

### (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, 2018 and December 31, 2017, the Fund did not hold any debt instruments.

### (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, 2018, 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 \$1,143,475 or 5.3% (December 31, 2017: \$583,265, or 4.5%). 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.

### (d) 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

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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2018 (unaudited) (continued)

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.

#### 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 June 30, 2018 and December 31, 2017, the financial instruments measured at fair value in the Statements of financial position are grouped into the fair value hierarchy as follows:

June 30, 2018	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Equities – long	16,498,310	764,893	165,000	17,428,203
Bonds	-	-	131,544	131,544
Warrants	760,059	85,779	-	845,838
Purchased options	572,936	-	-	572,936
Written options	(62,410)	-	-	(62,410)
	17,768,895	850,672	296,544	18,916,111

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

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 six months ended June 30, 2018 and the year ended December 31, 2017.

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

# Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2018 (unaudited) (continued)

## 6. REDEEMABLE UNITS

For the periods ended June 30, 2018 and 2017, 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 fees, 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 six-month periods ended June 30, 2018 and 2017 for each respective class is summarized in the following tables.

For the six months ended June 30,	2018	2017
<b>Class A</b>		
Balance, beginning	366,482	222,317
Units issued for cash	307,744	140,485
Units redeemed	(26,695)	(39,479)
Balance, ending	647,531	323,323
<b>Class A1</b>		
Balance, beginning	195,048	233,650
Units issued for cash	-	-
Units redeemed	(14,965)	(21,297)
Balance, ending	180,083	212,353
<b>Class F</b>		
Balance, beginning	493,279	271,119
Units issued for cash	466,329	207,422
Units redeemed	(16,017)	(65,131)
Balance, ending	943,591	413,410
<b>Class F1</b>		
Balance, beginning	164,675	177,567
Units issued for cash	5,451	16,648
Units redeemed	(10,673)	(18,339)
Balance, ending	159,453	175,876

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



# Next Edge Bio-Tech Plus Fund

Notes to the financial statements – June 30, 2018 (unaudited) (continued)

## 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.

## 7. 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.

## 8. FEES AND OPERATING EXPENSES

For its services to the Fund, the Manager was entitled to receive from the Fund a management fees (the "Management Fees") 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 represented by the Class F1 units, calculated daily and paid monthly in arrears, plus applicable taxes.

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

# Next Edge Bio-Tech Plus Fund

## Notes to the financial statements – June 30, 2018 (unaudited) (continued)

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 six months period ended June 30, 2018, \$24,823 (2017: \$16,395) 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

For its services the Fund, the Manager was entitled to receive from the Fund in respect of each fiscal quarter 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.

## 9. 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 8, Fees and Operating Expenses). Total management fees for the six months ended June 30, 2018 amounted to \$115,692 (June 30, 2017: \$29,828) and are reported in the Statements of comprehensive income, with \$17,431 in outstanding accrued fees (December 31, 2017:\$8,841) due to the Manager as at June 30, 2018 reported

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

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements – June 30, 2018 (unaudited) (continued)

in the Statements of financial position. Performance fees for the six months ended June 30, 2018 amounted to nil (June 30, 2017: \$269,097), with nil in outstanding accrued fees due to the Manager at June 30, 2018 (December 31, 2017: nil).

(b) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee attributable to the Fund during the six months ended June 30, 2018 was \$9,720 (June 30, 2017: \$4,074) 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, 2018 and December 31, 2017.

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

# Next Edge Bio-Tech Plus Fund

## General information

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