

EMERGE ARK SPACE EXPLORATION ETF  
STATEMENT OF FINANCIAL POSITION

As at March 18, 2021



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## INDEPENDENT AUDITOR'S REPORT

To the Unitholder and Trustee of  
Emerge ARK Space Exploration ETF

### Opinion

We have audited the financial statement of the Emerge Ark Space Exploration ETF (the "Fund"), which comprise the statement of financial position as at March 18, 2021 and notes to the financial statement, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Fund as at March 18, 2021 in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements relevant to the audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statement, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis for accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### Auditor's responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit



evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Ontario  
March 19, 2021

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As at March 18, 2021

|   |    |              |
|---|----|--------------|
| Assets  |    |              |
| Current assets  |    |              |
| Cash  | \$ | <u>20.00</u> |
| Net assets attributable to Unitholder (Note 3)            | \$ | <u>20.00</u> |
| Net assets attributable to Unitholder per series          |    |              |
| ETF CAD Units   | \$ | 10.00        |
| ETF USD Units (in Canadian dollars)                       | \$ | 10.00        |
| Net assets attributable to Unitholder per series per unit |    |              |
| ETF CAD Units   | \$ | 10.00        |
| ETF USD Units (in Canadian dollars)                       | \$ | 10.00        |

Approved on behalf of the Board of Directors of  
Emerge Canada Inc., as Trustee of EmERGE ARK Space Exploration ETF

(signed) "Lisa Langley"  
Lisa Langley  
Director

(signed) "Desmond Alvares"  
Desmond Alvares  
Director

The accompanying notes are an integral part of this statement of financial position.

EMERGE ARK SPACE EXPLORATION ETF  
NOTES TO STATEMENTS OF FINANCIAL POSITION

1. Nature of operations

Emerge ARK Space Exploration ETF (the "Fund") is an unincorporated open-ended mutual fund trust under the laws of the Province of Ontario. The Fund was established on March 18, 2021 pursuant to a master declaration of trust dated June 14, 2019 and amended as of March 18, 2021.

The investment objective of the Fund is to achieve long-term growth of capital by investing primarily, under normal circumstances, in global equity securities of companies that are engaged in space exploration and innovation.

Emerge Canada Inc. (the "Manager") is the trustee, the investment fund manager and the portfolio manager of the Fund. The Manager is responsible for the management and administration of the Fund, including managing and directing the investments of the Funds.

The registered office of the Fund and the Manager is located at 26 Wellington St East, Suite 901, Toronto, Ontario, M5E 1S2.

The Board of Directors of the Manager, as Trustee of the Fund, authorized the statement of financial position of the Fund to be issued on March 19, 2021.

2. Summary of significant accounting policies

(a) Basis of preparation

The statement of financial position of the Fund has been prepared in accordance with the International Financial Reporting Standards ("IFRS") relevant to preparing a statement of financial position. The statement of financial position of the Fund has been prepared on a historical cost basis.

(b) Functional and presentation currency

The functional and presentation currency of the Fund is Canadian dollars.

(c) Financial instruments

Cash is comprised of cash on deposit with a Canadian financial institution and is carried at amortized cost.

The Fund's obligation for net assets attributable to Unitholders is presented at the Net Asset Value ("NAV") upon which the Fund's subscriptions and redemptions are based. A separate Net Asset Value is calculated daily for each series of Units of the Fund. The Net Asset Value of each series of Units of the Fund is directly related to the fair value of the investments held by the Fund and, therefore, will fluctuate depending on changes in interest rates, financial performance of the issuers of the portfolio investments held by the Fund and other market and economic conditions.

The carrying value of cash and the Fund's obligation for net assets attributable to Unitholders approximates their fair values.

(d) Unit valuation

Units of the Fund are valued at the NAV per unit on each valuation day. A valuation day is each business day, or any other day designated by the Manager on which the NAV and NAV per unit of the Fund is calculated. The NAV per unit is determined by dividing the aggregate fair value of the NAV by the total number of units outstanding.

### 3. Redeemable units

The Fund may offer an unlimited number of series of Units and may issue an unlimited number of Units of each series which are redeemable at the holder's option and do not have identical rights. One of the primary differences between each series relates to the management fees charged.

#### Mutual Fund Series

The Fund has A, F and O Mutual Fund Series Units. On any business day, Mutual Fund Series Unitholders may redeem Units of the Fund for cash at a redemption price per unit equal to the respective NAV per unit of the Mutual Fund Unit.

#### ETF Series

The Fund also offers two different ETF Series that are conditionally approved for trading on NEO Exchange Inc. (the "NEO Exchange"); ETF CAD Series and ETF USD Series. On any business day, Unitholders may redeem units in any number for cash at a redemption price per unit equal to 95% of the closing price for the units on the effective day of the redemption, subject to a maximum redemption price of the applicable NAV per unit. Unitholders may exchange a minimum of a prescribed number of Units (and any additional multiple thereof) for, in the Managers discretion, cash or baskets of securities or other securities and cash. The exchange price will be equal to the aggregate series NAV per unit.

### 4. Manager's investment in the Fund

As at March 18, 2021, in order to establish the Fund, the Manager contributed \$10.00 in Canadian dollars in exchange for one ETF CAD Unit of the Fund and \$10.00 in Canadian dollars in exchange for one ETF USD Unit of the Fund. As such, the Manager is the ultimate parent of the Fund. In accordance with securities regulations, the Fund will not issue other Units unless subscriptions aggregating not less than \$500,000 have been received by the Fund from investors, other than the Manager and its affiliates, and accepted by the Fund.

### 5. Management fees

The Manager is responsible for the day-to-day operations of the Fund. The Manager provides management services to the Fund, including the marketing and promotion of the Fund.

As part of the management services, the Manager acts as the portfolio manager of the Fund. The investment advisory services include investment analysis and making investment decisions.

In consideration of the management services, the Fund will pay a management fee to the Manager, plus applicable taxes, based on the Net Asset Value of the Fund calculated daily and paid monthly. The following table discloses the maximum management fee rate of the Fund:

| Series                              | Management Fee                  |
|-------------------------------------|---------------------------------|
| Series A Units (Mutual Fund Series) | 1.80% of NAV                    |
| Series F Units (Mutual Fund Series) | 0.80% of NAV                    |
| Series O Units (Mutual Fund Series) | Up to 1.80% of NAV <sup>1</sup> |
| ETF CAD Series Units (ETF Series)   | 0.80% of NAV                    |
| ETF USD Series Units (ETF Series)   | 0.80% of NAV                    |

<sup>1</sup> Investors pay the management fee for Series O Units directly to the Manager. The Series O management fee (which is negotiated) will not exceed the Series A management fee and is accrued and paid as agreed to by the Manager and each Series O investor.

In addition to the management fee, the Fund pays all of its operating expenses which consists of the cost to operate the Fund.

## 6. Risks associated with financial instruments

As at the date of the statement of financial position, the Fund held its asset base in cash. As such, it did not have exposure to significant financial instrument risks. The financial instrument risks, when the Fund are fully invested, may not reflect those at the date of the statement of financial position of the Fund.