MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Three months ended March 31, 2019

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated May 17, 2019 presents a review of the financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the three months ended March 31, 2019 and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected Pender's statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows are discussed.

The MD&A is supplementary information and should be read in conjunction with the unaudited condensed interim financial statements of Pender and the notes thereto for the three months ended March 31, 2019 (the "Condensed Interim Financial Statements") and the audited financial statements of Pender and notes thereto for the year ended December 31, 2018 (the "Annual Audited Financial Statements"). All amounts shown in this MD&A are presented in Canadian dollars unless otherwise specified.

The MD&A has been prepared by PenderFund Capital Management Ltd. (the "Manager") and is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of three directors, a majority of which are independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Additional information about Pender is available on the SEDAR website at www.sedar.com.

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements about the Company, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies or prospects and possible future Company action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Company and economic factors, among other things. Forward looking statements in this MD&A include, without limitation: statements with respect to the future performance of the Company's portfolio companies; future transactions involving its portfolio companies (including acquisitions of such portfolio companies); the Company's investment approach, objectives and strategies, including its focus on specific sectors; the structuring of its investments and its expectations regarding the performance of certain sectors.

Forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied in any forward-looking statements. Any number of important factors could contribute to these differences, including but not limited to: the ability of the Company to source additional investments; risks related to the emerging technology sector; general economic, political and market factors in North America and internationally; interest and foreign exchange rates; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next MD&A.

Reporting Regime

Pender is an investment entity created in 1994 with the objective of providing its investors with long-term capital appreciation. The Company was established as a “Venture Capital Corporation” (a “VCC”) under the provisions of the Small Business Ventures Capital Act (the “SBVCA”) which offered investors in the Company certain provincial tax credits at the time the Company’s shares were issued from treasury. The SBVCA also restricted the Company’s investment objectives and strategies to investments in “Eligible Small Businesses” as defined in the SBVCA.

The shareholders of the Company approved the cancellation of registration under the SBVCA on July 12, 2016. Effective October 27, 2016, Pender voluntarily cancelled its registration under the SBVCA, permitting it to employ various investing strategies that were previously not available to it, including, without limitation, investments in the public equity market and investments in larger and more established businesses based outside of British Columbia. Because the Company was considered a non-redeemable investment fund, subject to the Canadian securities regulatory regime for investment funds (the “Investment Funds Regime”) and to National Instrument 81-102 — Investment Funds (“NI 81-102”) it provided continuous disclosure pursuant to such Investment Funds Regime, including but not limited to, the provisions under National Instrument 81-106 — Investment Funds Continuous Disclosure.

The provisions of NI 81-102 restricted the Company from purchasing a security of an issuer (a) for purposes of exercising control over, or management of, the issuer (the “Control Restrictions”) or (b) if immediately after the purchase the Company would hold more than 10% of the votes or outstanding equity of the issuer. While the Company was registered as a VCC it was able to rely on an exemption from the Control Restrictions, however after it cancelled its registration as a VCC it became subject to the Control Restrictions, which prohibited Pender from making investments which it determined would best fit its investment objectives and strategies.

As a result, the Manager concluded it was in the Company’s best interest to transition from the Investment Funds Regime to the Canadian securities regulatory regime for reporting issuers that are not investment funds (the “Corporate Issuer Regime”), including, but not limited to, compliance with National Instrument 51-102 — Continuous Disclosure Obligations (“NI 51-102”).

On May 23, 2018, at the annual general meeting of shareholders, the shareholders authorized the Company to transition to the Corporate Issuer Regime. As a result of the reclassification effective December 31, 2018, the Company is now subject to NI 51-102, under which it is required to file annual and interim MD&A reports. Under International Financial Reporting Standards (“IFRS”), the Company continues to be treated as an investment entity for accounting purposes.

Non-IFRS Measures

The Company prepares and releases Condensed Interim Financial Statements and Annual Audited Financial Statements in accordance with IFRS. In this MD&A, we complement IFRS disclosures with a number of the key indicators that we use to evaluate the performance and condition of our business. These supplementary key performance indicators include Net Assets, Net Assets per Share, Management Expense Ratio and Trading Expense Ratio. They are not recognized under IFRS nor do they have a standard meaning prescribed by IFRS. We present them to enhance the reader's ability to evaluate the Company. They may not be directly comparable to similar measures used by other companies and readers are cautioned not to view the non-IFRS measures as alternatives to IFRS measures.

Net Assets

The Company uses two financial measures that are individually recognized under IFRS, assets and liabilities, to calculate Net Assets, which is a non-IFRS measure. The calculation of Net Assets as at March 31, 2019 and December 31, 2018 is presented in the following table:

Net Assets	March 31, 2019	December 31, 2018
Assets	$ 18,331,792	$ 17,730,803
LESS: Liabilities	741,849	525,495
EQUALS Net Assets	$ 17,589,943	$ 17,205,308

Net Assets per Share

The Company uses three financial measures that are individually recognized under IFRS, assets, liabilities and number of shares outstanding, to calculate Net Assets per Share, which is a non-IFRS measure. The calculation of Net Assets per Share, as at March 31, 2019 and December 31, 2018 is presented in the following table:

Net Assets per Share	March 31, 2019	December 31, 2018
Assets	$ 18,331,792	$ 17,730,803
LESS: Liabilities	741,849	525,495
EQUALS Net Assets	$ 17,589,943	$ 17,205,308
DIVIDED BY Number of Shares Outstanding	4,152,545	4,152,545
EQUALS Net Assets per Share	$ 4.24	$ 4.14

Management Expense Ratio

The Company uses Management Expense Ratio ("MER") to represent the total amount of management fees and operating expenses, including sales taxes and interest but excluding corporate taxes, commission and other portfolio transaction costs (together, the "MER Costs") that is borne by each outstanding share. The MER is an annualized percentage calculated by dividing total MER Costs by the average Net Assets.

Trading Expense Ratio

The Company uses Trading Expense Ratio ("TER") to represent the total amount of commissions and other portfolio transaction costs (the "TER Costs") that is borne by each outstanding share. The TER is an annualized percentage calculated by dividing total TER Costs by the average Net Assets.

Business Strategy

Pender is an investment company with the objective of achieving long-term capital appreciation for its investors. Pender invests opportunistically in the securities of both public and private companies (each a "Portfolio Company"). In seeking long-term capital appreciation, the Manager thoroughly evaluates the business prospects of each Portfolio Company over a long-term investment horizon. Regardless of whether a Portfolio Company is publicly listed or private, a long-term focus will remain paramount to Pender's investment strategy. Pender works to generate returns to investors by understanding the current and long-term value of the companies in which it invests. Pender's strategy is to buy securities that are mispriced and that provide the ability to compound capital either through the convergence from current market price to intrinsic value, the growth of intrinsic value over time or a combination of both.

Pender's mandate provides flexibility so that it may invest in securities that the Manager deems to have the highest risk adjusted returns at the time of investment. It is important to note that the Manager defines risk as a permanent loss of capital, which differs from volatility risk. This flexible mandate allows Pender to take advantage of market cycles and different security types for the benefit of its shareholders. Market cycles can provide opportunity as different industries, company stages or security types may become out of favour and attractively priced. As such, Pender may invest in both newly established and later-stage businesses across a wide array of industries and security types dependent on opportunity. The majority of Pender's investments will be in common equity or preferred equity securities, which may be supplemented by smaller allocations to convertible debt or corporate debt or other securities.

As of March 31, 2019, Pender has investments in a total of eight (8) Portfolio Companies; five (5) private companies and three (3) publicly listed companies.

Risk Factors

An investment in Pender is suitable for investors that have a high tolerance for risk and a long-term investment horizon.

Historically, Pender invested primarily in emerging technology companies. The prospects for success of emerging technology companies depend critically on a number of factors which, given their limited operating histories, are difficult to evaluate. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of capital invested by Pender in a Portfolio Company. The technology companies in which Pender invests will typically require additional capital, which Pender may not be able to provide, or which may not be available from other sources.

Pender's Portfolio Companies will generally lack liquidity and involve a longer than usual investment commitment. Losses are typically realized before gains, and Pender may be required to dispose of Portfolio Companies before any returns are received therefrom. Specifically, the majority of Pender's investments are illiquid securities of private companies. Consequently, it may be relatively difficult for Pender to dispose of its investment in a private company rapidly at favourable prices in connection with adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

Pender faces competition from other capital providers and there can be no assurance that suitable investments will be found. Since 2008, there has been a global contraction in the amount of financing available for such businesses. Although the global equity market has staged a dramatic rebound since March 2009, financing for development stage technology companies remains limited and what is available may be on terms unfavourable to existing shareholders of these companies.

Other risks include the relatively large proportion of development stage technology company investments, industry concentration and the relatively limited number of investments in the portfolio.

The Company's Class C Shares are not redeemable. The Class C Shares trade on the TSX Venture Exchange (the "TSX-V") under the ticker "PTF". While the Class C Shares trade on the TSX-V, an active trading market for the Class C Shares may not be available and will significantly impact the liquidity of such shares. The Net Assets per Share of the Class C Shares fluctuates with the Net Assets per Share of the Company, which could adversely affect the ability of a holder of the Class C Shares to dispose of them. Even if an active trading market for Class C Shares is available, the market price of such shares may not enable shareholders to dispose of their shares at a reasonable price relative to the Net Assets per Share of the shares.

The risks associated with an investment in Pender are more fully described in its Annual Information Form dated March 19, 2019 under the heading "Risk Factors". Reference should also be made to the section "Caution Regarding Forward-Looking Statements" at the beginning of this document.

Recent Developments

The first quarter of 2019 continued to be healthy for private equities and for private technology companies in particular. Private equity buyers have become significant buyers of private technology companies, rivaling strategic buyers. We believe that the continued recent record amounts of fundraising and all-time high valuations bode well for our private Portfolio Companies.

On March 25, 2019, publicly held Espial Group Inc. ("Espial"), one of Pender's publicly-listed Portfolio Companies, announced that it had entered into an arrangement agreement to be acquired by Enghouse Systems Limited for all-cash consideration at a 39% premium to the prior day closing price of the Espial shares. If the shareholders approve this transaction at a meeting scheduled for late May, we expect that Pender will receive proceeds from this divestment during the three-month period ending June 30, 2019.

Given this backdrop, Pender did not add or decrease any positions during the period. We remain patient investors. We continue to work with our core positions, aiming to help these companies build their intrinsic value over the long-term.

On May 10, 2019, subsequent to the financial period reviewed in this MD&A, the Company completed a secondary offering of Class C shares on the TSXV for net proceeds of approximately $14,224,199, after underwriting fees and other expenses related to the Secondary Offering which the Company incurred and will pay. The Company plans to use $775,000 of the net proceeds for working capital, and to invest the remaining funds, approximately $13,449,199 in Portfolio Companies.

Outlook

We plan to proceed with our investment objectives with caution as we remain cognizant of the late cycle market environment that has been fueled by record low interest rates and easy monetary policies. Although the current environment has been beneficial for our Portfolio Companies and general market valuations, we believe that this cycle, like all others before it, will end. The increased volatility that the public markets experienced at the end of 2018 and the quick recovery in the first quarter of 2019 may be a glimpse into our near future as the tides shift. Although it is never enjoyable to endure, increased volatility has the potential to bring opportunities to those who remain patient and diligent in their approach. It is our goal to continue to leverage the Pender's advantages, a small asset base and investment flexibility, to the benefit of all shareholders.

PORTFOLIO OF INVESTMENTS

We are long-term investors and we remain committed to our investment theses for our Portfolio Companies. We maintained our holdings in our core positions at the three months ended March 31, 2019, neither adding to nor selling any part of our investments.

The majority of Pender's Net Assets is comprised of private equity securities (91%) with publicly traded securities, cash and other liabilities making up the balance (9%). The significant trends and events for Portfolio Companies in the three months ended March 31, 2019 are described in this section.

Private Securities

Our investments in private Portfolio Companies continued to hold their value in the three months ended March 31, 2019. We continue to work with our core positions, aiming to help these Portfolio Companies build their intrinsic value over the long-term.

One45 Software Inc.

Pender's largest investment as at March 31, 2019 was in One45 Software Inc. ("One45"), a software-as-a-service ("SaaS") provider of scheduling software to medical and other healthcare professional schools. We first invested in One45 in 2011, when we bought it from a public technology company that was looking to divest of its non-core assets. One45 was a stable business in a niche market with impressive customer retention metrics nearing 99% which were a testament to the company's product and customer support. However, underneath the seller's corporate umbrella we felt appropriate resources were not put to use to capture immediate revenue opportunities. Thus, our thesis at the time of investment was the business should materially benefit as a standalone company where incentives and resources could be better aligned for One45's shareholders. Since our investment this thesis has continued to play out largely as expected as the company has grown revenue over 300% through further US market penetration, increased cross selling and product improvements. To the benefit of all shareholders, Management has not sacrificed fiscal conservatism for growth, as the company remains profitable on a net income basis.

During the three-month period ended March 31, 2019, One45 remained a market leader in its niche, working to grow its client base. It also continued development of its newest product with the aim of increasing its addressable market. One45 remains profitable and continues to grow its recurring revenue.

One45 is the Company's largest investment and represents over 40% of the Company's Net Assets. The Company has provided summary unaudited financial information for One45 for the three months ended March 31, 2019 and December 31, 2018 below.

Amounts in ('000s)

Balance Sheet Data	**March 31, 2019**	**December 31, 2018**
Current Assets	3,513	4,169
Long Term Assets	114	104
Total Assets	**3,627**	**4,273**
Current Liabilities	131	152
Long Term Liabilities	1,632	2,268
Total Liabilities	**1,763**	**2,420**
Shareholders' Equity	**1,864**	**1,853**
Summary of Operations	**2019 Q1**	**2018 Q1**
Net Income	**11**	**177**

BasicGov Systems, Inc.

BasicGov Systems, Inc. ("BasicGov") is also a SaaS-based company, offering modules for licensing, inspection, planning, permitting, code enforcement, fund accounting and payment/billing management to municipalities as well as provincial and state governments. We invested in BasicGov in 2011 and provided it with additional capital in 2014, 2015 and 2017. At the time of our initial investment we believed BasicGov was well positioned to benefit from the digitization of legacy government systems. A central tenet to our thesis was that BasicGov's decades of operational expertise in government environments would become a strong competitive advantage as these agencies were increasingly demanding customizable, comprehensive end-to-end solutions that were built specific to their needs. Throughout our investment the company has continued to grow revenues at a favorable pace, however BasicGov has experienced challenges in its goal of maintaining consistent profitability. These challenges are reflected in BasicGov's current carrying value in the Company.

BasicGov continues to grow its recurring annual contract value at a healthy rate. In 2018, Basic Gov added an Executive Chair to its board who has assisted the CEO during the three months ended March 31, 2019 in working towards optimizing operations, scaling the company, positioning it for sustainable long-term growth and to draw the interest of potential acquirers.

D-Wave Systems Inc.

Another of Pender's interesting private Portfolio Companies is D-Wave Systems Inc. ("D-Wave"), a development stage company in the field of quantum computing systems. We invested in D-Wave in 2006 and provided additional capital in 2008 to help finance its development efforts. Our thesis at the time of our investment was predicated on the company's exceptional team and technological leadership within the revolutionary field of quantum computing. D-Wave continued to meet development milestone expectations, and we believed the company's trajectory would soon lead to small scale commercialized products. In 2009, a new CEO was hired to lead the transition from a research company into a leading commercial quantum application and systems company. Since then D-Wave has successfully sold to or collaborated with numerous fortune 500 companies to help solve their most advanced optimization problems. This steady execution has led to multiple follow-on financings that have been led by some of the most prominent global technology investors.

D-Wave continues to show promise as a technological leader in its field. In February 2019 D-Wave announced that it has met the key conditions to lock in new funding of $20 million. In April 2019, D-Wave closed on the first $30 million tranche of convertible notes and received a conditional commitment from Public Sector Pension Investment Board for an additional $20 million. The new capital brings D-Wave's total funding to approximately US $220 million, and support D-Wave in bringing its next-generation quantum computing system to market. D-Wave continues to make progress with new customers and applications, and we at Pender continue to believe in its potential.

Tantalus Systems Corp.

Tantalus Systems Corp. ("Tantalus") provides Smart Grid communications technology that enables electric, gas and water utilities to optimize the use of resources and delivers the data that utilities and customers need to manage energy intelligently and cost-effectively. Pender first invested in Tantalus in 2000, providing capital for its growth efforts. We felt that our support of Tantalus and most recent investment in 2016 was an attractive risk reward opportunity given the company's substantial revenue base, large customer roster and expected cash flow inflection.

In its last completed fiscal year ended December 31, 2018, Tantalus met budgeted revenue and generated positive EBITDA. Tantalus is tracking towards another EBITDA positive year for 2019 as it continues to advance a number of strategic initiatives to deliver additional value to customers and to integrate their communications module into other metering platforms, such as those of Landis and Gyr.

Navarik Corp.

Founded in 2001, Navarik Corp. ("Navarik") is the leader in on-demand software services that automate shipping logistics and physical trade operations in global crude oil, refined products and bulk commodities. Navarik's mission is to create an open standards-based industry network that brings together all parties engaged in the physical movement and trading of maritime cargo to more effectively manage bulk commodities shipped around the globe. The Company first invested in Navarik in 2008. The Portfolio Company proved out tangible use cases to improve upon the large inefficiencies present in the movement of bulk commodities. This Portfolio Company remains one of the only solution providers exclusively focused on logistics and inspection automation within the bulk commodity industry. After large declines in revenue coming out of the financial crisis, operations have steadily improved since 2013 as Navarik continually increases its market penetration and displaces paper and excel based systems.

The current CEO joined the Portfolio Company in 2016 with a plan to improve the product and leverage its position as an intermediary between asset owners and inspection providers. During the three months ended March 31, 2019, Navarik continued to make significant progress towards its goals with the development of a new data focused centralized platform.

Publicly-Traded Securities

Volatility held sway in the public financial markets in the three months ended March 31, 2019. The traded value of Pender's publicly-listed Portfolio Companies increased as a result of positive market sentiment and premium from Espial, positively impacting Net Assets. We continue to be patient, fundamental investors, and we believe that this market presents good potential opportunities for our public holdings.

Espial Group Inc. – TSX:ESP

Espial provides software solutions to TV services providers and SmartTV manufacturers. In addition to a traditional licensing model, Espial also offers its cloud-based Elevate platform to operators. We first added the business to our portfolio in November 2016.

On March 25, 2019 Espial and Enghouse, jointly announced that they have entered into an arrangement agreement pursuant to which Enghouse has agreed to acquire all of the issued and outstanding common shares of Espial. Under the terms of the agreement, each Espial shareholder will receive cash consideration of $1.57 for each Espial share held. This represents a 39% premium to the prior day closing price of the Espial shares. The Espial board of directors unanimously recommend that shareholders vote for the previously announced agreement with Enghouse which is being put forward for shareholder approval at a meeting scheduled for May 21, 2019.

Espial reported that for the three-month period ended March 31, 2019, revenue was $6.1 million compared with revenue of $5.9 million for the same period in the prior year. Espial highlighted that in the first quarter, SaaS revenue grew to $2.2 million and it continued to add new SaaS wins in the three month period ended March 31, 2019. The stock increased 36% during the three months ended March 31, 2019

Redline Communication Group Inc. – TSX:RDL

Redline Communication Group Inc. ("Redline") develops wireless communication products and solutions for markets such as oil and gas, mining, telecom service providers, military organizations and governments. Customers in these markets have demanding requirements and rely heavily on Redline's wireless network infrastructure to deliver high performance, secure communications over extended periods of time. We first added the business to the portfolio in April 2014. In March 2019 Redline released its 2018 financial results highlighting that it ended 2018 showing year-over-year revenue and bookings growth. Redline reported that healthy gross margins supported a profitable fourth quarter and a reduced net loss for 2018 as compared to the prior year. The stock increased 17% during the three months ended March 31, 2019.

ProntoForms Corporation – TSXV:PFM

ProntoForms Corporation's ("ProntoForms") solutions help small and medium businesses and enterprises transform paper forms to mobile forms. Its cloud-based solutions allow businesses and mobile workers to collect, process, and analyze field data in real-time through the use of mobile forms on their mobile devices. We first added the business to the portfolio in September 2017. In April 2019 ProntoForm released its 2018 financial results reporting 21% annual recurring revenue ("ARR") growth including 6% sequential growth in Q4, 2018. ProntoForms ARR base increased to 27% in the year to reach $12.4 million at December 31, 2018 compared to growth of 12% in 2017. The stock increased 66% over the three months ended March 31, 2019.

Portfolio Turnover

Our investment portfolio remained unchanged during the period. We remained committed to our investment theses for our Portfolio Companies throughout the period and as a result we neither added to nor divested of any of our investments.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

Pender's goal is to create long-term capital appreciation for its investors, building on our 17.4% annualized return since inception on Class C Shares. We are long-term investors and we remained committed to our investment theses for the eight (8) Portfolio Companies we held as at March 31, 2019.

At Pender, we quantify our investment results in terms of the growth in Net Assets or Net Assets per Share rather than the change in shareholders' equity or the change in our listed share price. The growth in Net Assets per Share over time is primarily a result of investment performance. Similar to many listed investment entities, our shares may often trade at a price which is not indicative of the value of our Net Assets per Share. Further, the share price may change due to factors which are unrelated to our Net Assets per Share.

During the three months ended March 31, 2019, the value of our Net Assets per Share ranged from $4.12 to $4.24 per share, while our share price ranged from a high of $3.57 per share to a low of $3.00 per share. During the period the shares traded at prices that ranged from a discount of 14.15% to Net Assets per Share to a discount of 28.42%.

The Company's Net Assets were $17,589,943 as at March 31, 2019 versus $17,205,308 as at December 31, 2018. This $384,635 (2.2%) increase for the three months ended March 31, 2019 was attributable to investment performance and the total expenses of the Company.

There were no discontinued operations during the three months ended March 31, 2019 and 2018.

See the "Financial Performance" and "Financial Condition" sections for further details. Please see the "Past Performance" section for the performance of Class C Shares. The sectors in which the Company was invested as at March 31, 2019 are listed under "Summary of Investment Portfolio".

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company's financial condition as at March 31, 2019 compared to December 31, 2018 and financial performance in the three months ended March 31, 2019 compared to the three months ended March 31, 2018. This section should be read together with the Annual Audited Financial Statements.

Supplemental Data

	March 31, 2019	December 31, 2018
Net Assets ($000s)	17,590	17,205
Non-Redeemable Class C Shares Outstanding	4,152,545	4,152,545
Net Assets per Share ($)	4.24	4.14
Closing Market price* ($)	3.50	3.10
Total increase (decrease) from operations per Share ($)	0.10	(0.35)

*Market Price: Closing market price on the last trading day of the period as reported on the TSX Venture Exchange.

FINANCIAL PERFORMANCE

		2019 Q1		2018 Q1
Net realized gain (loss)	$	-	$	-
Change in net unrealized gain (loss)		611,116		(45,847)
Foreign exchange gain (loss)		(1,445)		(3,084)
Impairment of receivables		-		-
Dividend and interest income		28		106
Total income		609,699		(48,825)
Management fees		(114,335)		(121,254)
Withholding taxes, GST/HST and transactions cost		-		-
Other expenses		(110,729)		(59,811)
Total expenses		(225,064)		(181,065)
Net income (loss) before income taxes		384,635		(229,890)
Income tax (recovery)		-		-
Net comprehensive income	$	384,635	$	(229,890)
Management expense ratio		5.22%		3.90%
Trading expense ratio		0.00%		0.00%

(a) Net realized gain (loss)

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended March 31, 2019 there was no portfolio turnover and as such there were no realized gains or losses on investments. Highlights of the factors contributing to Pender's investment performance in the three months ended March 31, 2019 are presented in the "Portfolio of Investments" section of this MD&A.

There were no realized gain and losses during the three months ended March 31, 2018.

(b) Change in net unrealized gain (loss)

Net unrealized gains and losses on investments are the result of changes in the value of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the three months ended March 31, 2019, Pender's unrealized gain on investments increased by $611,116, as positive market sentiment and premium from Espial resulted in an increase in the traded prices of Pender's publicly-listed Portfolio Companies. On March 25, 2019 Espial announced that it had entered into an arrangement agreement to be acquired by Enghouse for all-cash consideration at a 39% premium to the prior day closing price of the Espial shares. If the shareholders approve this transaction at a meeting scheduled for late May, we expect that Pender will receive proceeds from this divestment during the three-month period ending June 30, 2019. Highlights of the factors contributing to Pender's investment performance in 2019 are presented in the "Portfolio of Investments" section of this MD&A.

(c) Foreign exchange gain (loss)

Pender's financial statements are presented in Canadian dollars, so to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates which may result in foreign currency gains and/or losses.

During the three months ended March 31, 2019 Pender incurred a foreign exchange loss of $1,445 (March 31, 2018 - a loss of $3,084). At present, the Manager believes that the extent of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates.

(d) Impairment of receivables

The Company has a balance receivable from divestiture of investments. The Manager's estimate of the recoverability of these receivables was unchanged in the financial three months ended March 31, 2019 and 2018, so no impairment in receivables amount was recorded.

(e) Dividend and interest income

The Company may earn dividend and/or interest income on its investments in securities, and interest income on its cash balances. The Company earned $28 of interest during the three months ended March 31, 2019 (March 31, 2018 - $106).

(f) Management Fees

The Company pays the Manager a management fee which is calculated as a percentage of Net Assets, so the fees vary from period to period in proportion to the variance in the average Net Assets. Accordingly, the $114,335 management fee expense in the three months ended March 31, 2019 was $6,919 less than the fee of $121,254 paid in the three months ended March 31, 2018.

(g) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total of all expenses of the Company, other than commissions and other portfolio transaction costs, by the average Net Assets.

The 5.22% MER for the three months ended March 31, 2019 was 1.32% higher than the 3.90% MER for the three months ended March 31, 2018 primarily due to increased legal and audit costs relating to the Corporate Issuer Regime.

(h) Trading Expense Ratio(h) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the period. The small number of Portfolio Companies and the long-term investment horizon of the Company have resulted in a TER that is relatively low.

The TER for the three months ended March 31, 2019 is 0.00% (March 31, 2018 - 0.00%), reflecting the fact that there were no portfolio transactions during the periods.

FINANCIAL HIGHLIGHTS

Net Assets per Share	2019 Q1	2018 Q1	2018	2017	2016
Net Assets per Share (beginning of period)	$4.14	$4.49	$4.49	$4.34	$1.94
Increase (decrease) from operations:					
Total revenue	0.00	0.00	0.00	0.00	0.02
Total expenses	(0.04)	(0.04)	(0.18)	(0.19)	(0.30)
Realized gains (losses)	0.00	0.00	0.00	0.17	1.48
Unrealized gains (losses)	0.14	(0.01)	(0.17)	0.17	1.28
Total increase (decrease) from operations	0.10	(0.05)	(0.35)	0.15	2.48
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions	-	-	-	-	-
Net Assets per Share (end of period)	$4.24	$4.44	$4.14	$4.49	$4.34
Ratios and Supplemental Data					
Total net asset value ($000s)	$17,590	$18,400	$17,205	$18,631	$18,036
Number of shares outstanding	4,152,545	4,152,545	4,152,545	4,152,545	4,152,545
Closing market price	$3.50	$4.50	$3.10	$4.55	$3.04

FINANCIAL CONDITION

	March 31, 2019	December 31, 2018
Assets		
Investments	$ 18,256,006	$ 17,644,890
Cash	8,971	17,653
Receivable for investments sold	66,815	68,260
Interest receivable	-	-
Total assets	18,331,792	17,730,803
Liabilities		
Accounts payable and accrued expenses	80,573	76,718
Due to related parties	661,276	448,777
Total liabilities	741,849	525,495
Shareholders' equity	$ 17,589,943	$ 17,205,308

(a) Investments

As at March 31, 2019, Pender's investments of 18,256,006 comprised publicly-listed Portfolio Companies valued at $2,289,740 and private unlisted Portfolio Companies valued at $15,966,266. The increase of $611,116 was due to the increase in the value of publicly-listed Portfolio Companies, which was the result of a positive market sentiment and premium from Espial. See the "Portfolio of Investments" section of this MD&A for a discussion of the Company's investments and significant factors that affected them in the three months ended March 31, 2019.

As at December 31, 2018, Pender's investments of $17,644,890 comprised publicly-listed Portfolio Companies valued at $1,678,624 and private unlisted Portfolio Companies valued at $15,966,266.

(b) Cash

Pender typically holds cash balances to invest in securities and pay expenses. Cash balances are monitored daily by the Manager. Since 2016, Pender has been fully invested in its Portfolio Companies and the cash on hand has been used to pay operating expenses. During the three months ended March 31, 2019 the cash balance decreased by $8,682 to $8,971, as Pender paid operating expenses due to third parties.

(c) Receivable for investments sold

The receivable for investments sold relates to a divestiture of the Company's investment in a private Portfolio Company. This balance will change as a result of payments received, foreign exchange rate fluctuations and/or impairment adjustments. During the three months ended March 31, 2019 the balance decreased by $1,445, to $66,815 due to the change in the US dollar exchange rate.

(d) Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses balance represent amounts due to third parties for operating expenses. During the three months ended March 31, 2019 this balance increased by $3,855, to $80,573, as the accounts payable and accrued expenses were increased in the normal course of business.

(e) Due to related parties

The $661,276 due to related parties at March 31, 2019 comprises unpaid management and administration fees owed to the Manager and third party expenses paid by the Manager on behalf of the Company. This balance will change in any period due to timing of payments and the change in fees and other expenses due to the Manager. During the three months ended March 31, 2019 the balance increased by $212,499 from the prior year-end balance of $448,777, as management fees and other operating expenses due to the Manager accumulated without being paid.

(f) Shareholders' equity

Shareholders' equity represents the equity in the Company owned by the holders of its non-redeemable Class C common shares, of which there were 4,152,545 outstanding as at March 31, 2019 and December 31, 2018.

Cash Flows

For the three months ended March 31, 2019, Pender's cash balance declined by $8,682 as cash was used to pay for operating expenses. No cash was generated from investing or divesting, financing or capital activities in the period. For the year ended December 31, 2018, the cash balance of $17,653 reflected a decrease of $290,225 from the prior year end due primarily to pay management fees and operating expenses. No cash was generated by financing or capital activities in 2018.

Shareholder Activity

There were no shares issued or redeemed during the three months ended March 31, 2019 and 2018. During the year ended December 31, 2016 the Company converted its Class B shares into Class C and Class R shares and redeemed its Class R shares such that there are no longer any Class B or Class R shares outstanding. More information about the formation and history of the Company is available in its Annual Information Form dated March 19, 2019.

SUMMARY OF QUARTERLY RESULTS

The tables below show information about Pender's financial performance for the most recently completed eight quarters. In each quarter, the net income or loss is a result of realized and unrealized gains and losses on investments, and operating expenses. A comparison of the information presented from quarter-to-quarter does not necessarily indicate any meaningful pattern or correlation.

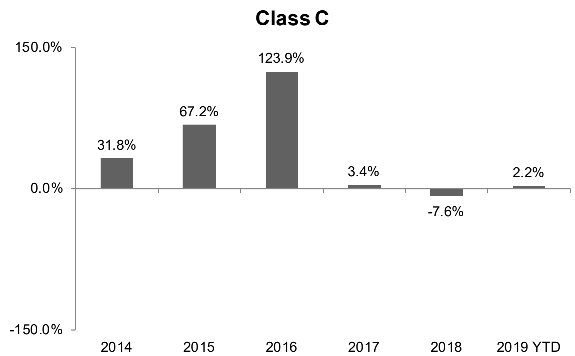
	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Net realized gain (loss)	$ -	$ -	$ -	$ -
Change in net unrealized gain (loss)	611,116	(223,683)	(242,585)	(166,833)
Foreign exchange gain (loss)	(1,445)	12,825	(4,332)	(2,423)
Impairment of receivables	-	-	-	-
Dividend and interest income	28	1,020	695	1,549
Total income	609,699	(209,838)	(246,222)	(167,707)
Management fees	(114,335)	(114,483)	(117,424)	(119,364)
Withholding taxes, GST/HST and transactions cost	-	-	-	-
Other expenses	(110,729)	(65,883)	(50,779)	(103,742)
Total expenses	(225,064)	(180,366)	(168,203)	(223,106)
Net income (loss) before income taxes	384,635	(390,204)	(414,425)	(390,813)
Income tax (recovery)	-	-	-	-
Net comprehensive income	$ 384,635	$ (390,204)	$ (414,425)	$ (390,813)
Net Assets per Share (beginning of period)	$ 4.14	$ 4.30	$ 4.34	$ 4.44
Net Assets per Share (end of period)	$ 4.24	$ 4.14	$ 4.30	$ 4.34

	2018 Q1	2017 Q4	2017 Q3	2017 Q2
Net realized gain (loss)	$ -	$ (428,331)	$ -	$ -
Change in net unrealized gain (loss)	(45,847)	512,963	(240,641)	1,552,245
Foreign exchange gain (loss)	(3,084)	4,151	(31,821)	(20,938)
Impairment of receivables	-	-	-	-
Dividend and interest income	106	(7,282)	35	7,386
Total income	(48,825)	81,501	(272,427)	1,538,693
Management fees	(121,254)	(121,956)	(124,128)	(124,017)
Withholding taxes, GST/HST and transactions cost	-	-	-	-
Other expenses	(59,811)	(95,064)	(24,708)	(163,364)
Total expenses	(181,065)	(217,020)	(148,836)	(287,381)
Net income (loss) before income taxes	$ (229,890)	$ (135,519)	$ (421,263)	$ 1,251,312
Income tax (recovery)	-	-	-	-
Net comprehensive income	$ (229,890)	$ (135,519)	$ (421,263)	$ 1,251,312
Net Assets per Share (beginning of period)	$ 4.49	$ 4.53	$ 4.62	$ 4.32
Net Assets per Share (end of period)	$ 4.44	$ 4.49	$ 4.53	$ 4.62

PAST PERFORMANCE

To illustrate how the Company's performance has varied over time, the following bar chart shows the Company's performance for the three months ended March 31, 2019 and for each of the previous 12 months periods ended December 31. The past performance of the Company does not necessarily indicate how it will perform in the future.

Past performance for Class C Shares of the Company is calculated based on its Net Assets per Share and is not based on its market price on the TSX-V. In addition, the information does not take into account sales, redemptions, distributions, income taxes payable or other charges that would have reduced returns or performance. Finally, the information presented for the years prior to 2018 relates to the period when the Company was subject to the Investment Funds Regime. Commencing December 31, 2018, the Company is now subject to the Corporate Issuer Regime. Please see the disclosure under "Reporting Regime".



SUMMARY OF INVESTMENT PORTFOLIO

Pender's largest Portfolio Companies as at the end of the period and the major asset classes in which Pender was invested are indicated below. Where Pender has less than 25 holdings, the table will show the entire investment portfolio. The investment portfolio may change due to ongoing portfolio transactions. See also the "Schedule of Investment Portfolio" in the Condensed Interim Financial Statements.

Summary of Top 25 Holdings

	% OF NET ASSETS
Private unlisted investments*	90.7
Espial Group Inc.	5.8
Redline Communications Group Inc.	3.7
ProntoForms Corporation	3.5

Summary of Composition of the Portfolio

	% OF NET ASSETS
Software and services	61.8
Technology hardware and equipment	28.9
Information technology	13.0
TOTAL INVESTMENTS	**103.7**
Cash	0.1
Other assets less liabilities	-3.8
TOTAL NET ASSETS	**100.0**

* The value of these investments is disclosed on an aggregate basis due to the nature of private unlisted investments. See Pender's financial statements for more information. The names of these private Portfolio Companies are listed in the table below.

COMMON SHARES
- BasicGov Systems, Inc.
- Navarik Corp.
- One45 Software Inc.

PREFERRED SHARES
- D-Wave Systems Inc., Class B, Convertible
- D-Wave Systems Inc., Class C, Convertible
- Tantalus Systems Corp., Class D, Convertible

CONVERTIBLE AND OTHER NOTES
- BasicGov Systems, Inc., 15%, Demand

DIVIDEND POLICY

The Company does not currently intend to pay regular dividends or other distributions but may do so if, as and when determined by the Board of Directors.

OUTSTANDING SHARE DATA

As at March 31, 2019 the Company has 4,152,545 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at March 31, 2019, directors and officers of the Company directly and/or indirectly held 14.4% of the Company's Class C Shares. Subsequent to the secondary offering, directors and officers of the Company directly and/or indirectly held 7.6% of the Company's Class C Shares.

As at March 31, 2019, directors and officers of the Company directly and/or indirectly owned 790,904 shares or 3% of issued and outstanding shares of BasicGov Systems, Inc., one of Pender's Portfolio Companies.

Pender pays management fees and performance fees to the Manager for management and portfolio advisory services. The Manager also recovers certain operating expenses incurred by it on behalf of the Company.

Effective May 2019, the management fee paid to the Manager was reduced to 2.50% of the first $15,000,000 of the value of Net Assets and 1.75% of the value of Net Assets above $15,000,000. Prior to that date, the management fee paid to the Manager was equal to 2.50% of the value of Net Assets up to $50,000,000 and 2.00% of the value of Net Assets in excess of $50,000,000. The management fee is calculated and paid monthly.

Pender also pays the Manager a performance fee in certain circumstances, based on achieving certain performance criteria. The performance fee is calculated as 20% of any net increase in the value of Pender's Net Assets above an annual hurdle rate of 6%. The performance fee is calculated on an annual basis and is subject to a high water mark, being the year-end value of Net Assets per Share for the most recent preceding year in which a performance fee was earned. Subject to the accumulation of the hurdle rate in years in which no performance fee is payable, the high water mark will not be reset other than to be adjusted in the event of a subdivision or consolidation of the shares. No performance fee was paid in respect of the three months ended March 31, 2019, or in respect of the three preceding financial years.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no significant financial or contractual obligations other than accounts payable in the normal course of business. The Company holds approximately 13.0% of its assets in publicly traded securities with a market value of approximately $2,289,740, part of which could be liquidated to meet the Company's operating expense requirements.

The Company's publicly listed securities can be disposed of with relative ease. Should the future composition of its portfolio be weighted significantly more toward private investments that cannot be readily sold, the Company would need to secure credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources. The Manager is presently extending credit to the Company to cover its working capital requirements. Should it be necessary, the Company's publicly held securities could be liquidated to repay the Manager and fund working capital requirements.

In the three months ended March 31, 2019, the Company did not undertake any financing activities. As at the date of this MD&A, the Company does not have any capital expenditure commitments.

On May 10, 2019, subsequent to the financial period reviewed in this MD&A, the Company completed a secondary offering of 3,850,000 Class C shares on the TSXV for net proceeds of approximately $14,224,199, after the payment of underwriting fees and other expenses related to the Secondary Offering which the Company incurred and will pay. The Company plans to use $775,000 of the net proceeds for working capital, and to invest the remaining funds, approximately $13,449,199 in Portfolio Companies.

COMMITMENTS AND CONTINGENCIES

Pender may become liable for commitments and contingencies relating to litigation or claims in the normal course of business as a result of investing. The Manager is not aware of any commitments or contingencies, or any current or planned litigation or claims against it.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised.

The Company may hold financial instruments that are not quoted in an active market, including derivatives. Currently, the Company holds common and preferred shares as well as convertible debt and other debt instruments issued by its private Portfolio Companies. Details of these holdings are set forth under "Summary of Investment Portfolio".

The determination of the fair value of these investments is the area with the Manager's most significant accounting judgements and estimates in preparing these financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period is included in note 9 of the Annual Audited Financial Statements and relates to the determination of fair value of investments with significant unobservable inputs.

The Company uses widely recognized valuation models for determining the fair value of relatively simple financial instruments which are publicly traded, such as debt and equity securities, mutual fund units and warrants that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as forward foreign currency contacts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value.

CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

In determining fair value for instruments for which there is no public market available the Manager considers: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable fund trading and transaction multiples, where applicable; and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments since acquisition.

Significant unobservable inputs are developed as follows:

(i) Enterprise value:

Represents the amount that market participants would pay when purchasing the Portfolio Company. The Manager determines this value based on comparable arm's length transactions in shares of the respective company.

(ii) Revenue multiple:

Revenue multiples are selected from comparable public companies based on geographic location, industry, size, target markets, and other factors that the Manager considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the Portfolio Company by its revenue and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and the specific Portfolio Company.

There are risks associated with hold securities which are not publicly traded. It may be relatively difficult for the Company to dispose of its investment in a private Portfolio Company rapidly at favourable prices in connection with adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts.

CHANGES IN ACCOUNTING POLICIES

The Company has determined there were no changes in accounting policy for the three months ended March 31, 2019.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Company's financial statements.

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