

Unaudited Condensed Interim Financial Statements of

PENDER PRIVATE INVESTMENTS INC.

Three months and six months ended June 30, 2021

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

PenderFund Capital Management Ltd., the Manager of the Pender Private Investments Inc. (the “Company”), appoints an independent auditor to audit the Company’ Annual Financial Statements. In accordance with Canadian securities laws (National Instrument 51-102 “Continuous Disclosure Obligations”), the Manager must disclose if an auditor has not reviewed the interim Financial Statements.

The Company’ independent auditor has not performed a review of these Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Statements of Financial Position (Unaudited)

	Notes	June 30, 2021	December 31, 2020
Assets			
Cash		\$ 295,117	\$ 2,446,381
Accounts receivable		70,019	281,326
Accrued interest receivable		-	465
Venture investments	2, 4, 8	81,033,090	59,512,871
Total Assets		81,398,226	62,241,043
Liabilities			
Other accounts payable and accrued liabilities		456,754	599,356
Dividend payable		32,537	17,280
Accrued contingent incentive participation dividend		-	322,849
Total Liabilities		489,291	939,485
Shareholders' Equity			
Class A shares:			
Contributed capital		254,358,116	254,358,116
Retained earnings		(173,449,181)	(193,056,558)
Total Shareholders' Equity		\$ 80,908,935	\$ 61,301,558
Number of shares outstanding per series	5		
Venture Series - Balanced Shares (series 1)		-	4,013,041
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		17,181,143	12,421,473
Venture Series - Exit Venture Shares		16,661,429	-
Commercialization Series - 05 Commercialization Shares (series 2)		1,002,555	1,002,555
Total shareholders' equity per share			
Venture Series - Balanced Shares (series 1)		\$ -	\$ 4.14
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		4.68	3.49
Venture Series - Exit Venture Shares		-	-
Commercialization Series - 05 Commercialization Shares (series 2)		0.49	1.38

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

Approved on behalf of the Board of Directors:

"Maria Pacella"

Director

"Robert Napoli"

Director

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Statements of Comprehensive Income (Unaudited)

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue:					
Investment income					
Interest - venture investments		\$ -	\$ 8,726	\$ -	\$ 17,452
Interest - bonds, deposits and other investments		494	3,116	1,248	44,769
Net realized gain (loss) from the sale of					
Venture investments		-	-	(4,143,055)	-
Net change in unrealized appreciation (depreciation) of investments					
Venture investments		19,204,911	(8,225,660)	26,064,643	(5,418,357)
Total revenue		19,205,405	(8,213,818)	21,922,836	(5,356,136)
Expenses:					
Professional fees		485,530	78,433	584,462	218,706
Management and administration fees	4	295,963	263,646	531,572	562,856
Operating expenses		234,061	87,854	319,080	160,357
Custody and recordkeeping fees		65,904	116,042	154,801	231,948
Independent review committee costs		2,813	3,188	6,000	6,375
Directors' fees		2,321	4,282	9,083	16,698
Other expenses		212	308	226	651
Service fees		-	7,899	-	20,216
Total expenses		1,086,804	561,652	1,605,224	1,217,807
Net income (loss)		\$ 18,118,601	\$ (8,775,470)	\$ 20,317,612	\$ (6,573,943)
Net income (loss) per share					
Venture Series - Balanced Shares (series 1)		\$ (0.20)	\$ (0.39)	\$ (0.01)	\$ (0.39)
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		1.32	(0.38)	1.54	(0.38)
Venture Series - Exit Venture Shares		-	-	-	-
Commercialization Series - 05 Commercialization Shares (series 2)		(0.20)	(0.23)	(0.26)	(0.21)
Weighted average shares outstanding per series during the period					
Venture Series - Balanced Shares (series 1)		2,778,258	4,013,041	3,395,649	4,013,041
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		14,252,115	12,421,473	13,336,794	12,421,473
Venture Series - Exit Venture Shares		16,661,429	-	16,661,429	-
Commercialization Series - 05 Commercialization Shares (series 2)		1,002,555	1,039,257	1,002,555	1,133,710

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

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Statements of Changes in Equity (Unaudited)

Class A shares	Six months ended June 30, 2021	Six months ended June 30, 2020
Balance, beginning of period	\$ 61,301,558	\$ 72,199,736
Net income (loss)	20,317,612	(6,573,943)
Capital transactions - share redemption payment	-	(2,967,725)
Capital transactions - dividend payment	(710,235)	-
Balance, end of period	\$ 80,908,935	\$ 62,658,068

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

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Statements of Cash Flows (Unaudited)

	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash provided by (used in):		
Operating:		
Net income (loss)	\$ 20,317,612	\$ (6,573,943)
Adjustments for:		
Interest - venture investments	-	(17,452)
Interest - bonds, deposits and other investments	(1,248)	(44,769)
Net realized (gain) loss from the sale of venture investments	4,143,055	-
Net change in unrealized (appreciation) depreciation of venture investments	(26,064,643)	5,418,357
Accounts receivable	211,307	(113,860)
Accrued service fees payable	-	4,257
Dividends payable	15,257	-
Other accounts payable and accrued liabilities	(142,602)	(102,293)
	<u>(1,521,262)</u>	<u>(1,429,703)</u>
Proceeds on disposal of investments		
Venture investments	401,369	-
Interest received	1,713	76,664
	<u>(1,118,180)</u>	<u>(1,353,039)</u>
Financing:		
Payment of conditional incentive participation dividend	(322,849)	-
Payment of dividends	(710,235)	-
Payments of redemption of shares	-	(2,967,725)
	<u>(1,033,084)</u>	<u>(2,967,725)</u>
Net increase (decrease) in cash during the period	(2,151,264)	(4,320,764)
Cash, beginning of period	2,446,381	10,812,334
Cash, end of period	<u>\$ 295,117</u>	<u>\$ 6,491,570</u>

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

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Schedule of Investment Portfolio (Unaudited)

Venture Series – Legacy Shares

As at June 30, 2021

VENTURE INVESTMENTS	Number of shares	Cost \$	Percentage of Shareholders' Equity %
Investee Companies			
Information Technology			
Seed Stage			
Bootup Labs (VCC) Inc., Class C Common Shares	20,000	\$ 200,000	
Highline, Canada AcceleratorCo Inc., Class GL-1 Special Shares	26,690	81,446	
Highline, Canada AcceleratorCo Inc., Common Shares	26,690	-	
Early Stage			
Copperleaf Technologies Inc., Class B-2 Preferred Shares	7,406,124	1,934,284	
DWSI Holdings Inc., Class A Common Shares	53,709	501,326	
DWSI Holdings Inc., Class A-1 Preferred Shares	562,740	3,180,835	
4300092 Canada Inc., Class A-1 Preferred Shares	3,418,803	4,000,914	
4300092 Canada Inc., Class A-2 Preferred Shares	1,611,135	2,256,514	
1150818 B.C. Ltd., Common Shares	33,746,116	4,425,949	
Later Stage			
BuildDirect.com Technologies Inc., Class AA-1 Preferred Shares	52,268	3,563,281	
Teradici Corp., Class A-1 Preferred Shares	2,750,000	3,418,193	
Teradici Corp., Class A-2 Preferred Shares	1,527,777	2,060,544	
Teradici Corp., Class A-3 Preferred Shares	1,780,803	3,146,679	
Teradici Corp., Class A-4 Preferred Shares	1,747,377	4,144,172	
Teradici Corp., Class A-5 Preferred Shares	587,666	1,749,606	
		34,663,743	42.84%
Cleantech			
Early Stage			
Arborgen Inc, 5% Common Share Warrant	1	-	
Cooledge Lighting Inc., Class A-1 Preferred Shares	394,256	365,149	
Cooledge Lighting Inc., Class A-2 Preferred Shares	1,716,405	1,451,545	
General Fusion Inc., Class A Preferred Shares	4,770,992	2,792,750	
General Fusion Inc., Class B Preferred Shares	2,173,610	1,754,670	
General Fusion Inc., Class D Preferred Shares	383,847	500,000	
General Fusion Inc., Common Shares	300,000	150,000	
Redlen Technologies Inc., Common Shares	3,862,870	5,780,859	
Switch Materials Inc., Class A-1 Preferred Shares	250,000	250,000	
Switch Materials Inc., Class A-2 Preferred Shares	625,000	750,000	
Switch Materials Inc., Class B-1 Preferred Shares	1,000,000	1,500,000	
Switch Materials Inc., Class C-1 Preferred Shares	514,285	503,861	
Switch Materials Inc., Class C-2 Preferred Shares	359,900	899,999	
Switch Materials Inc., Class A-2 Warrants Strike price \$1.20, expiry date 12/20/2022	300,000	-	
		16,698,833	20.64%
Life Sciences			
Pre-clinical			
Boreal Genomics, Class B Preferred Shares	1,058,242	517,815	
Clinical			
Methylation Sciences Inc., Class A Preferred Shares	1,436,498	1,268,029	
Methylation Sciences Inc., Common Shares	1,500,000	1,500,731	
		3,286,575	4.06%
Total Venture Investments, Venture Series, at cost		54,649,151	67.54%
Unrealized appreciation (depreciation) of venture investments		25,890,529	32.00%
Total Venture Investments, Venture Series, at fair value	\$	80,539,680	99.54%

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

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Schedule of Investment Portfolio (Unaudited) (Continued)
 Commercialization Series - 05 Commercialization Shares (series 2)
 As at June 30, 2021

VENTURE INVESTMENTS	Face value/ Number of shares	Cost \$	Percentage of Shareholders' Equity %
Investee Companies			
Information Technology			
<i>Early Stage</i>			
4300092 Canada Inc., Promissory Note, 8%, due 12/31/2020	650,000	\$ 415,367	
<i>Later Stage</i>			
BuildDirect.com Technologies Inc., Class AA-1 Preferred Shares	150,720	523,679	
BuildDirect.com Technologies Inc., Class AA-2 Preferred Shares	484,693	500,042	
Total Venture Investments, Commercialization Series, at cost		1,439,088	1.78%
Unrealized appreciation (depreciation) of venture investments		(945,678)	-1.17%
Total Venture Investments, Commercialization Series, at fair value	\$	493,410	0.61%
Venture Investments, Pender Private Investments Inc.			
Less: Transaction costs included in cost of investments		-	
Total Venture Investments, at fair value	\$	81,033,090	100.15%
Cash		295,117	0.36%
Other assets less liabilities		(419,272)	-0.51%
Total Shareholders' Equity	\$	80,908,935	100.00%

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

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

1. Incorporation and nature of operations:

Pender Private Investments Inc. (the “Company”), formerly Working Opportunity Fund (EVCC) Inc., was incorporated under the laws of British Columbia on November 5, 1991 and became registered as an employee venture capital corporation (“EVCC”) under the Employee *Investment Act (British Columbia)* (the “Act”), which entitled subscribers of the Company’s Class A shares to obtain a British Columbia tax credit and required the Company to comply with the Act and the employee venture capital plan (the “Plan”) filed with the Administrator of the Act. The Act defined the investments which the Company was able to make and the regulations under the Act and the Plan defined the period over which venture investments had to be made. As required under the Act, the Company had a labour sponsor, Working Enterprises Ltd. The Company was also a prescribed labour sponsored venture capital corporation under the *Income Tax Act (Canada)*, which entitled subscribers for the Company’s Class A shares to obtain Federal tax credits. Until May 28, 2021, the Company’s objective was to achieve long-term capital appreciation for shareholders.

Effective May 28, 2021 (the “Effective Date”), Pender Growth Fund Inc. (“PTF”) acquired 100% of the Company’s issued and outstanding Commercialization Series shares and 97% of its Venture Series shares from shareholders of the Company (the “WOF Transaction”) under a plan of arrangement pursuant to the definitive agreement (the “Arrangement Agreement”) announced on April 7, 2021. In conjunction with the WOF Transaction, the Company changed its name to Pender Private Investments Inc., resigned as an EVCC, made an election to be a public corporation under the Income Tax Act, and transitioned from the Canadian securities regulatory regime for investment companies to the Canadian securities regulatory regime for reporting issuers who are not investment companies. Accordingly, the Company’s financial statements are reported in accordance with National Instrument 51-102 Continuous Disclosure Obligations and the Company is now required to file annual and interim MD&A reports. Please see Note 4(b) for additional details.

The Company’s objective (the “Divestment Objective”) as it relates to the Company’s investments in the Portfolio Companies at the Effective Date, is to seek an orderly realization of value to achieve returns for the shareholders through the divestment of series investments.

Under International Financial Reporting Standards (“IFRS”), the Company continues to be treated as an investment entity for accounting purposes.

The Company has been managed by PenderFund Capital Management Ltd. (the “Manager”) since March 1, 2019.

The Company’s registered office is located at 1830 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

2. Basis of preparation:

(a) Statement of compliance:

The annual financial statements of the Company are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards ("IAS") Board.

The Company qualifies as an investment entity under IFRS 10, *Consolidated Financial Statements*.

These financial statements were authorized for issue by the Company's Board of Directors on August 27, 2021.

(b) Basis of measurement:

These financial statements have been prepared on a historical cost basis except for investments, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, the Company's functional currency.

(d) Use of estimates and judgment:

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 and in any future period affected.

Total shareholders' equity which is calculated using IFRS for financial reporting purposes may be different from the reported net asset value ("NAV") per share. Prior to the Effective Date of the WOF Transaction, net asset value per share was reported weekly, this "Pricing NAV" referred to the total pricing net asset value of all Class A shares, or if referred to in relation to one or more particular series of shares, then the total Pricing NAV of those shares only. "Pricing NAV per Share" meant the price for purchasing, redeeming or switching shares of the Company, as and if applicable, calculated in accordance with the formulae set out in the Company's governing documents. We also calculated management fees, performance returns and the management and trading expense ratios based on Pricing NAV.

The Company may hold financial instruments that are not quoted in an active market. 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.

3. Significant accounting policies:

These financial statements follow the same accounting policies and methods of application as applied in the December 31, 2020 annual audited financial statements.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

4. Related party transactions:

(a) Management and performance fees:

In accordance with the original management agreement (the "Original Management Agreement") dated March 1, 2019 and in effect through to May 28, 2021, the Effective Date of the new management agreement under the WOF Transaction described in Note 4(b), the Manager provided management services to the Company and in exchange for these management services, the Company paid a management fee. Under the Original Management Agreement, the management fee was equal to 1.50% of the Pricing NAV (as described in Note 2(d)) of all the series of shares of the Company. The Company paid operating expenses set out in an annual budget approved by the Company's Board and any expenditure by the Company of more than \$10,000 that was not included in the annual budget was subject to the approval of the Company's Board. The management fee was calculated and paid monthly.

In accordance with the new Management Agreement dated May 28, 2021 ("Management Agreement"), the management fee was amended to be an all-in management and operating fee of 2.50%. This fee will be accrued but it will only be paid when there are divestment proceeds available. In exchange for the fee, operating expenses are paid by the Manager. The only expenses expected to be paid by the Company are the management fee, fees of the directors and applicable taxes. Other than expenses related to divestment of a series' venture portfolio, expenses of the Company will be allocated to the Legacy Shares (formerly referred to as Balanced Shares (series 2)) and the Commercialization Shares, prorata on the value of their respective assets or, in the case of fees of the directors, equally between them.

As at December 31, 2020, the Company had accrued a contingent incentive participation dividend, in accordance with a management agreement with a former manager. During the six months ended June 30, 2021, the Company paid that former manager total consideration of \$497,548 comprising cash in the amount of \$322,849 and the transfer of certain securities in the portfolio as well as other non-monetary consideration. Having satisfied the liability in full, the Company redeemed and cancelled the IPA shares that had given rise to the accrual. Please see further details in Note 5.

The Management Agreement provides that on a re-organization of assets, once shareholders have received an amount equal the per series value of the Company as at the date of the reorganization, the Manager will be entitled to a performance or success fee on the same terms and conditions as calculated under the Company's previously issued incentive participation shares. Accordingly, the performance fee payable under the Management Agreement provides that the Manager will receive 20% of the net divestment proceeds in excess of Effective Date NAV of the Legacy Shares, after net divestment proceeds equal to their Effective Date NAV have been disbursed to Legacy Shareholders. No performance fees were earned as at June 30, 2021 or December 31, 2020.

For the three months ended June 30, 2021 the Company incurred management fees of \$295,963 (June 30, 2020 - \$263,646). For the six months ended June 30, 2021, the Company incurred management fees of \$531,572 (June 30, 2020 - \$562,856). As at June 30, 2021, the Company had an amount payable to the Manager of \$205,397 (December 31, 2020 - \$96,819) in respect of management fees, and reimbursement of operating expenses paid on behalf of the Company.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

4. Related party transactions (continued):

(b) Shareholdings:

As at June 30, 2021, the Manager, directors and officers of the Company held, directly or indirectly, less than 1% (December 31, 2020 – less than 1%) of the Company's Shares. Pender Growth Fund Inc., a public company managed by the Manager, acquired 97% of the Company's shares on May 28, 2021, as detailed in Note 4 (c) below.

The aggregate investment by the Company's directors and officers in all investee companies did not exceed 0.01% of the issued and outstanding shares of any investee company.

(c) WOF Transaction:

On May 28, 2021, the Company completed the WOF Transaction pursuant to the April 7, 2021 Arrangement Agreement with PTF, for the acquisition the Company's issued and outstanding shares under a plan of arrangement.

The Company and PTF are both managed by the same Manager. Given the actual and perceived conflict, in addition to requiring approval of the WOF Transaction by the Company's board and IRC, and PTF's board, the special committee of the Company's former board of directors engaged an independent qualified person who provided a fairness opinion that the WOF Transaction was fair from a financial point of view to the Company's shareholders.

On the Effective Date of the WOF Transaction, PTF acquired 100% of the Company's Commercialization Series shares and 97% of the Company's Venture series shares, for a total cash purchase price of \$25,253,730.

Under the Arrangement Agreement, PTF paid 100% of the \$508,096 total purchase price for the Commercialization Series shares on closing. Further, PTF paid 50% of the \$25,253,730 total purchase price for the Venture Series shares, or \$12,627,698, on closing with the remaining 50% of their purchase price due on or before November 28, 2021.

The total purchase price for the Commercialization Series shares was calculated as 75% of the subscription receipt financing price of BuildDirect.com Technologies Inc., the Commercialization Series' investee company.

The Venture Series shares were also acquired at a discount to their fair value and in this case the price was calculated as 43.5% of the net asset value per Venture Series share on the day prior to the date of the Arrangement Agreement, adjusted based upon the per share net assets value of the Venture Series portfolio as at the end of the business day immediately prior to May 28, 2021: the price for Balanced Shares (series 1) was \$1.7977 and for Balanced Shares (series 2) was \$1.5157. The Balanced Shares (series 2) were renamed as Legacy Shares and each outstanding Balanced Share (series 1) was exchanged for 1.18 Legacy Shares Those who opted to continue to hold their Legacy shares and maintain their pro rata participating position in the Legacy portfolio hold 3% of the total Legacy shares. The Company distributed all excess cash for each Series, if any, to the shareholders as a dividend just prior to closing.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

4. Related party transactions (continued):

(c) WOF Transaction (continued):

The Company has an obligation to make certain additional payments to those former Venture Series shareholders that sold their shares to the Company (the "Exiting Shareholders") in the event of a disposition of a portfolio investment prior to May 18, 2022 (the "Contingent Payment Right").

This obligation for the Contingent Payment Right is based on a percentage share of the net gains over carrying values of the underlying Venture Series shares' investment portfolio at the Effective Date and arises as follows: (a) if a divestment completes on or before November 18, 2021, Exiting Shareholders will receive their pro rata portion of 60% of the net gain; (b) if a divestment completes on or before February 18, 2022, Exiting Shareholders will receive their pro rata portion of 45% of the net gain; and (c) if a letter of intent, terms sheet or binding agreement for a divestment is entered into on or before February 18, 2022 and such divestment is subsequently completed by May 18, 2022, Exiting Shareholders will receive their pro rata portion of 20% of the net gain.

5. Share capital:

(a) Authorized share capital:

Prior to the WOF Transaction, the Company's authorized share capital consisted of an unlimited number of Class A shares without par value, voting, with restrictions on transfer and redemptions, issuable in series. The following series were authorized:

Venture Series

Unlimited number of Balanced Shares (series 1)
Unlimited number of Balanced Shares (series 2)
Unlimited number of Growth Shares (series 1)
Unlimited number of Growth Shares (series 2)
Unlimited number of GIC Shares (series 2)
Unlimited number of Income Shares (series 2)
Unlimited number of Financial Services Shares (series 2)
Unlimited number of Resource Shares (series 2)
Unlimited number of Diversified Shares (series 2)

Commercialization Series

Unlimited number of 05 Commercialization Shares (series 2)
Unlimited number of Commercialization Shares (series 2-2006)
Unlimited number of Commercialization Shares (series 2-2007)
Unlimited number of Commercialization Shares (series 2-2008)
Unlimited number of Commercialization Shares (series 2-2009)
Unlimited number of Commercialization Shares (series 2-2010)
Unlimited number of Commercialization Shares (series 2-2011)
Unlimited number of Commercialization Shares (series 2-2012)
Unlimited number of Commercialization Shares (series 2-2013)
Unlimited number of Commercialization Shares (series 2-2014)

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

5. Share capital (continued):

(a) Authorized share capital (continued):

In addition, prior to the WOF Transaction, there were an unlimited number of Class B shares without par value, issuable in series. The previous authorized series of Class B shares were known as "IPA Shares". As noted below, the IPA Shares were redeemed and cancelled prior to the WOF Transaction and no longer form part of the Company's share capital.

Under the WOF Transaction the Balanced Shares (series 2) were renamed as Legacy Shares and each outstanding Balanced Share (series 1) was exchanged for 1.18 Legacy Shares. Those shareholders who sold their Venture Series shares ("Exiting Shareholders") were issued shares from a new class designated as "Exit Venture Shares" without par value, with no maximum number and with special rights and restrictions attached (as described in Note 4(c)).

In connection with the WOF Transaction, all authorized but unissued shares were removed from the Company's share structure. As a result, the Company's authorized share capital now consists of an unlimited number of Class A shares without par value, voting, with restrictions on transfer and redemptions, issuable in series and redeemable at the NAV of a series share. The currently authorized series are:

Legacy Shares (no maximum, without par value with special rights and restrictions attached)

Commercialization Shares (Series 2) (no maximum, without par value with special rights and restrictions attached)

In addition, there are an unlimited number of WOF Exit Venture Shares (no maximum, without par value with special rights and restrictions attached).

(b) Class A shares:

Under the WOF Transaction all 4,013,041 Balanced Shares (Series 1) were exchanged at a 1.18 exchange ratio based on NAV, for 4,759,712 Legacy Shares. Those shareholders who sold their Venture Series shares ("Exiting Shareholders") were issued Exit Venture Shares, as described in Note 4(c) and Note 5(a). During the six-month period ended June 30, 2021, 16,661,429 Exit Venture Shares were issued. During the six-month period ended June 30, 2021, no Class A shares were redeemed:

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

5. Share capital (continued):

(b) Class A shares (continued):

Number of Class A Shares (in 000's)	Outstanding Shares at Beginning of period	Redemption of Shares	Exchange of Shares	Issuance of Shares	Outstanding Shares at End of period
Balanced Shares (series 1) Legacy Shares (formerly Balanced Shares (series 2))	4,013	-	(4,013)	-	-
Exit Venture Shares	-	-	-	16,661	16,661
05 Commercialization Shares	1,003	-	-	-	1,003

During the six-month period ended June 30, 2020, the following Class A shares were redeemed:

Number of Class A Shares (in 000's)	Outstanding Shares at Beginning of period	Redemption of Shares	Exchange of Shares	Issuance of Shares	Outstanding Shares at End of period
Balanced Shares (series 1)	4,013	-	-	-	4,013
Balanced Shares (series 2)	12,421	-	-	-	12,421
05 Commercialization Shares	1,424	(421)	-	-	1,003

(c) Class B shares:

As at December 31, 2020, there were 100 Class B Shares ("IPA Shares") issued and outstanding, all of which were held by a former manager of the Company. Until February 1, 2019, that former manager was entitled to IPA dividends on the IPA Shares, paid quarterly, equal to 20% of the realized gains and income from a venture investment owned by or allocated to Balanced Shares (series 2) shares when the following conditions were met:

- The total net realized and unrealized gains and income from the portfolio of venture investments allocated to the particular series of shares since the date on which that series was initially offered exceeded the average 5 year GIC rate plus 2%
- The return from that venture investment exceeded an annual rate of return on that investment of 12%
- The principal invested in that venture investment had been fully recovered.

During the six months ended June 30, 2021, the Company settled the IPA Shares with the former manager as described in Note 4(a) above and all Class B shares were redeemed and cancelled. The Class B shares were redeemed and no longer form part of the Company's share structure.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

6. Capital management:

The Company's Class A Shares represent the capital of the Company. The Company is not subject to any external or internally imposed restrictions on its capital.

As of the May 28, 2021 Effective Date of the WOF Transaction, the Company has a Divestment Objective, under which it is to seek an orderly realization of value to achieve returns for the holders of Legacy Shares and Commercialization Shares, as the case may be, through the divestment of series investments. The Company and the Manager may enter into additional management agreements to govern any new investment by the Company subsequent to the Effective Date. Prior to the Effective Date, the Company's investment objective for all Series of Class A Shares was to achieve long-term capital appreciation for shareholders.

The Company's objective in managing capital is to manage liquidity by regularly measuring and estimating cash available and cash required, to have sufficient liquid assets on hand for Company expenses, while working toward exit opportunities for its remaining investments.

7. Financial risk management:

The Company may be exposed to various financial risks in the normal course of business associated with its investment objectives and strategies, financial instruments and the markets in which it invests. These risks include credit risk, liquidity risk, and market risk which consists of currency risk, interest rate risk and other price risk.

The Company maintains positions in a variety of financial instruments in accordance with its investment objectives and strategies. The Company's exposure to financial risk is concentrated in its investment holdings. The Schedule of Investment Portfolio groups securities by sector. The Manager manages the potential impact of these financial risks on the Company's performance by employing and overseeing professional and experienced portfolio advisors who regularly monitor the Company's positions and market events.

The COVID-19 global health pandemic that began in 2019 and continues today resulted in significant volatility and turmoil in World markets. The negative economic impact of measures to contain the virus have been mitigated to an extent by fiscal and monetary stimulus, by measures taken to reopen world economies, and by the development and rollout of vaccines. The situation had an impact on many entities and the markets for the securities that they issue and the impact may continue. Investment results will depend to a large extent on future developments and new information that may emerge regarding COVID-19 and the pandemic, factors that are beyond the Company's control.

The Company will continue to support its portfolio companies, to monitor the impact that COVID-19 has on them and to reflect the consequences as appropriate in its accounting and reporting.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

7. Financial risk management (continued):

(a) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge a payment obligation of the instrument, causing a financial loss.

Bonds, deposits and other investments may be given a credit rating by credit rating agencies based on how much credit risk they represent; the higher the credit rating, the lower the credit risk. The Company manages this risk by generally investing in instruments issued by governments, financial institutions and issuers with credit ratings at the higher end of the range.

The maximum exposure to credit risk for the six months ended June 30, 2021 is \$70,019 (December 31, 2020 - \$281,791).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will have difficulty meeting its financial obligations as they become due. The Company manages liquidity risk by monitoring the factors that draw on liquidity, and seeking asset realizations. Venture investments in private companies are generally illiquid and exit opportunities may not arise when expected or at all.

The Company's financial liabilities, except redeemable shares and amounts payable to the Manager, are due on demand. The Class A shares are not open for redemption. The Legacy Shares are redeemable only as described in their attached rights and restrictions, primarily, at present, upon the Company being in receipt of net cash proceeds from a divestment.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Company's income or the fair value of their holdings of financial instruments.

(i) 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. The Company's venture investment portfolios may contain debt instruments which are convertible into equity and which are generally expected to be converted before a divestment opportunity arises. The interest rate risk from venture debt investments is reduced as their valuation is generally based on the underlying equity securities of the entity into which the debt is convertible or expected to be converted.

Bonds, deposits and other investments are subject to interest rate risk which may affect the value of these instruments. When market interest rates rise, the value of traded interest-bearing instruments held by the Company generally falls due to a decline in demand for lower yielding instruments.

As at June 30, 2021 and December 31, 2020 the Company had no exposure to interest rate risk as it did not hold bonds, deposits or other relevant investments.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

7. Financial risk management (continued):

(ii) Currency risk:

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. Historically, the Company managed currency risk associated with its venture portfolios by seeking to minimize the number of venture investments it made in currencies other than Canadian dollars. The Company's exposure to the US dollar for the six months ended June 30, 2021 and December 31, 2020 was:

June 30, 2021			December 31, 2020		
US dollar exposure	% of shareholders' equity	Impact of a 5% change in the USD/CAD exchange rate on shareholders' equity (+/-)	US dollar exposure	% of shareholders' equity	Impact of a 5% change in the USD/CAD exchange rate on shareholders' equity (+/-)
\$ 57,400,092	70.94%	3.55%	\$ 35,879,875	58.53%	2.93%

(iii) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than changes caused by interest rate or currency risk). The Company held no publicly traded investments for the periods ended June 30, 2021 and December 31, 2020.

8. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

8. Fair value of financial instruments (continued):

(a) Valuation models (continued):

The Company uses widely recognized valuation models for determining the fair value of common and relatively simple financial instruments, such as debt securities 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 contracts. 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 may be derived from market prices or rates or 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.

In determining fair value for these types of instruments 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 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.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

8. Fair value of financial instruments (continued):

(b) Fair value hierarchy – financial instruments measured at fair value:

The table below presents the fair value of financial instruments as at June 30, 2021 and December 31, 2020 by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statements of Financial Position. Levels 1 and 2 are nil for the Company as at June 30, 2021 and December 31, 2020.

	June 30, 2021		December 31, 2020	
Level 3:				
Private unlisted companies	\$	81,033,090	\$	59,512,871
Total	\$	81,033,090	\$	59,512,871

Included in the net change in unrealized appreciation (depreciation) in fair value of investments on the Company's Statements of Comprehensive Income for the period ended June 30, 2021 is a change in unrealized appreciation of \$26,064,643 (December 31, 2020 – unrealized depreciation \$1,650,598) related to Level 3 investments.

(c) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at June 30, 2021 and December 31, 2020 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

June 30, 2021					
Unobservable quantitative input	Fair value measured using the quantitative input	Weighted average input	Reasonably possible shift in input (+/-)	Estimated fair value impact of reasonably possible shift in input (+/-)	
Comparable trading multiple	\$ 23,583,689	3.5	0.5	\$ 4,607,000	(1,969,000)
Discount factor	\$ 189,635	75%	25%	\$ 234,000	(317,000)

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

8. Fair value of financial instruments (continued):

(c) Significant unobservable inputs used in measuring fair value (continued):

December 31, 2020					
Unobservable quantitative input	Fair value measured using the quantitative input	Weighted average input	Reasonably possible shift in input (+/-)		Estimated fair value impact of reasonably possible shift in input (+/-)
Comparable trading multiple	\$ 48,918,718	3.4	0.5	\$	7,914,000 (5,606,000)
Discount factor	\$ 281,253	82%	18%	\$	281,000 (281,000)

Significant unobservable inputs are developed as follows:

(i) Enterprise value:

Represents the amount that market participants would pay when purchasing the investee 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 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 investee company.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

8. Fair value of financial instruments (continued):

(d) Reconciliation of Level 3 fair value measurements:

The reconciliation of changes for investments measured at fair value using unobservable inputs (Level 3) for the periods ended June 30, 2021 and December 31, 2020 is:

	June 30, 2021	December 31, 2020
Opening balance	\$ 59,512,871	\$ 62,296,291
Purchases	-	-
Sales	(401,369)	(2,277,798)
Realized gains (losses)	(4,143,055)	(1,995,677)
Change in unrealized appreciation (depreciation)	26,064,643	1,490,054
Ending balance	\$ 81,033,090	\$ 59,512,871
Change in unrealized appreciation (depreciation) for venture investments held at the end of the period	\$ 22,021,540	\$ (1,441,390)

9. Income taxes:

On the Effective Date of the WOF Transaction, the Company made an election to be a public corporation under the Income Tax Act.

The Company did not have taxable income after applying available unused capital and non-capital income tax losses carried forward and was not assessed income taxes for the years ended December 31, 2020 and 2019. As at the end of the 2020 tax year, the Company has non-capital losses of approximately \$53.8 million available for deduction against future taxable incomes which, if unused, would have expired between 2027 and 2039. The Company also had capital losses, subject to certain restrictions, of approximately \$145.5 million available for deduction against future capital gains which had no expiry date. The potential future benefits arising from the Company's net deferred tax assets were not recognized in the financial statements for those periods as their realization was uncertain.

Because the WOF Transaction resulted in a change of control for the Company, the capital losses available for carryforward became unavailable to apply against future losses. However, the negative impact of this is being mitigated by the Company because it is able to elect to increase the cost base of capital property with latent gains on the Effective Date. This increase in the tax cost base of its capital property will trigger capital gains that will be offset by those capital losses available for carryover which would otherwise be extinguished on the close of the WOF Transaction.

The Company's non-capital loss carryforwards become unavailable to apply against capital gains or business investment income after the change in control.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

9. Income taxes (continued):

Prior to the Effective Date of the WOF Transaction, the Company qualified as a mutual fund corporation under the provisions of the Income Tax Act (Canada). As such, income taxes payable by the Company on net realized capital gains were fully refundable on a formula basis when shares are redeemed or capital gains dividends were paid or deemed to be paid by the Company to its shareholders. Income taxes payable on net investment income, other than capital gains, and certain dividends received from Canadian corporations, were partially refundable upon the payment or deemed payment of taxable dividends, other than capital gains dividends. The Company recorded the refundable portion of its income taxes as an asset to the extent that such amounts will be recovered through the distribution of a Class A share dividend from net investment income and/or realized capital gains on investments.

10. Reconciliation of pricing net asset value per share:

Total shareholders' equity which is calculated using IFRS for financial reporting purposes may be different from the monthly reported net asset value per share. Prior to the Effective Date of the WOF Transaction, Pricing NAV was issued weekly and referred to the total pricing net asset value of all Class A shares, or if referred to in relation to one or more particular series of shares, then the total Pricing NAV of those shares only. "Pricing NAV per Share" meant the price for purchasing, redeeming or switching shares of the Company, as and if applicable, calculated in accordance with the formulae set out in the Company's governing documents. Management fees, performance returns and the management and trading expense ratios were also calculated based on Pricing NAV prior to the Effective Date of the WOF Transaction.

The following reconciliation of Net Assets and Pricing NAV at June 30, 2021 and December 31, 2020 identifies the differences between the Pricing NAV per share of the Company and the net asset values of the shares disclosed in these financial statements:

Venture Series	2021		2020	
	Balanced Series 1	Legacy Shares (formerly Balanced Series 2)	Balanced Series 1	Balanced Series 2
Series Shareholders' Equity per share	\$ -	\$4.68	\$4.14	\$3.49
Unamortized balance of share issue commissions, fees and other costs per share	-	-	-	-
Portfolio company and expense allocation adjustment	-	(1.15)	(0.17)	(0.17)
Series Pricing NAV per share	\$ -	\$3.53	\$3.97	\$3.32

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Six months ended June 30, 2021

10. Reconciliation of pricing net asset value per share (continued):

Commercialization Series	2021	2020
Series Shareholders' Equity per share	\$0.49	\$1.38
Unamortized balance of share issue commissions, fees and other costs per share	-	0.01
Portfolio company/expense allocation adjustment/IPA adjustment	-	(0.13)
Series Pricing NAV per share	\$0.49	\$1.26

11. Series dividend policies:

The rights and restrictions attached to each Class A share provide holders the right to receive dividends if, as and when the Company's board declares them, with dividends to Legacy shareholders being from funds designated as attributable to the Legacy Shares and dividends to Commercialization shareholders being from funds designated as attributable to the Commercialization Shares.

The rights and restrictions attached to each WOF Exit Venture Shares provide holders the right to receive dividends or other distributions as the Directors in their discretion may declare from time to time specifically in respect of such shares from funds designated as attributable to the WOF Exit Venture Shares.

The dividend policies in effect prior to the Effective Date of the WOF Transaction are as described in the December 31, 2020 annual audited financial statements.