

Unaudited Condensed Interim Financial Statements of

PENDER GROWTH FUND INC.

Three months ended March 31, 2022

PENDER GROWTH FUND INC.

Condensed Interim Statements of Financial Position (Unaudited)

	Notes	March 31, 2022	December 31, 2021
Assets			
Cash		\$ 2,700,628	\$ 10,008,858
Receivable for investments sold		443,416	-
Income taxes receivable		68,874	-
Due from related parties	5	4,331,191	6,243,402
Divestment proceeds receivable		1,604,505	1,671,449
Prepaid expenses		32,599	37,613
Interest receivable		-	198,210
Investments	4, 12	153,745,416	208,351,197
Total assets		162,926,629	226,510,729
Liabilities			
Interest payable		224,603	31,637
Share repurchase payable		13,676	-
Accounts payable and accrued liabilities		244,229	203,940
Payable for investments purchased		-	86,976
Income taxes payable	13	-	3,031,126
Deferred income tax liability	13	10,957,815	19,513,395
Loan payable	10	5,000,000	5,000,000
Total liabilities		16,440,323	27,867,074
Shareholders' equity			
Class C Common shares:			
Contributed capital	8	17,672,336	18,007,980
Retained earnings		128,813,970	180,635,675
Total Shareholders' Equity		\$ 146,486,306	\$ 198,643,655
Number of shares outstanding	8	7,595,229	7,616,529
Total shareholders' equity per share		\$ 19.29	\$ 26.08

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

Approved on behalf of the Board of Directors:

"David Barr"

Director

"Kelly Edmison"

Director

PENDER GROWTH FUND INC.

Condensed Interim Statements of Comprehensive Income (Unaudited)

Notes	Three months ended March 31, 2022	Three months ended March 31, 2021
Revenue:		
Interest and securities lending income	\$ 3,642	\$ 95,526
Foreign exchange loss	(13,580)	-
Changes in fair value of investments:		
Net realized (loss) gain	(3,797,801)	2,589,981
Net change in unrealized depreciation	(53,825,471)	(1,909,226)
Total revenue	(57,633,210)	776,281
Operating Expenses:		
Interest and financing expenses	289,545	-
Management fees	240,065	261,235
Administration expenses	123,522	63,117
Audit and professional fees	91,709	28,679
Directors' fees	12,584	15,722
Legal fees	12,584	9,339
Transaction costs	11,077	255,376
Custody and recordkeeping fees	8,341	5,413
Total operating expenses	789,427	638,881
Net operating income (loss)	\$ (58,422,637)	\$ 137,400
Other Items:		
Performance fees	(14,943,990)	-
Fees waived by the Manager	5,940,727	-
Net amount	(9,003,263)	-
Amount of Pender Private Investments Inc.'s ("PPI") performance fee earned by the Manager attributable to the Company's ownership of PPI shares	10,957,911	-
Total performance fee adjustment	1,954,648	-
Net income (loss) before income taxes (recovery)	\$ (60,377,285)	\$ 137,400
Income taxes (recovery)		
Deferred	(8,555,580)	-
Total income taxes (recovery)	(8,555,580)	-
Net income (loss)	\$ (51,821,705)	\$ 137,400
Net income (loss), per share:		
Class C shares	\$ (6.81)	\$ 0.02
Weighted average number of non-redeemable Class C shares outstanding		
	7,606,429	7,691,029

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

PENDER GROWTH FUND INC.

Condensed Interim Statements of Changes in Equity (Unaudited)

Class C shares	Note	Three months ended March 31, 2022	Three months ended March 31, 2021
Balance, beginning of period		\$ 198,643,655	\$ 47,254,190
Net income (loss)		(51,821,705)	137,400
Capital transactions	8(b)	(335,644)	(610,571)
Balance, end of period		\$ 146,486,306	\$ 46,781,019

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

PENDER GROWTH FUND INC.

Condensed Interim Statements of Cash Flows (Unaudited)

	Three months ended March 31, 2021	Three months ended March 31, 2021
Cash provided by (used in):		
Operating:		
Net income (loss)	\$ (51,821,705)	\$ 137,400
Adjustments for:		
Interest and securities lending income	(3,642)	(95,526)
Foreign exchange loss	13,580	-
Net realized loss (gain) on sales of investments	3,797,801	(2,589,981)
Net change in unrealized depreciation on investments	53,825,471	1,909,226
(Increase) decrease in income taxes receivable	(68,874)	-
(Increase) decrease in due from related parties	1,912,211	-
(Increase) decrease in divestment proceeds receivable	66,944	(170,149)
(Increase) decrease in prepaid expenses	5,014	(13,772)
Increase (decrease) in interest payable	192,966	-
Increase (decrease) in accounts payable and accrued liabilities	40,289	230,441
Increase (decrease) in income taxes payable	(3,031,126)	-
Increase (decrease) in deferred income tax liability	(8,555,580)	-
Increase (decrease) in due to related parties	-	(21,148)
	(3,626,651)	(613,509)
Proceeds on disposal of investments	7,657,560	4,811,892
Purchase of investments	(11,003,591)	-
Interest received	-	36,937
Net cash provided by (used in) operating activities	(6,972,682)	4,235,320
Financing:		
Repurchase of shares	(321,968)	(468,871)
Net cash provided by (used in) financing activities	(321,968)	(468,871)
Net increase (decrease) in cash during the period	(7,294,650)	3,766,449
Cash, beginning of period	10,008,858	1,789,278
Increase (decrease) due to exchange rate fluctuations on cash	(13,580)	-
Cash, end of period	\$ 2,700,628	\$ 5,555,727

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

PENDER GROWTH FUND INC.

Condensed Interim Schedule of Investment Portfolio (Unaudited)

As at March 31, 2022

	Exercise price	Expiry date	Issue Currency	Number of share/units	Cost	Fair value
Publicly listed companies: (25.5%)						
Common shares: (25.5%)						
BuildDirect.com Technologies Inc.				428,240	1,969,904	274,074
Copperleaf Technologies Inc. ¹				257,759	747,501	4,170,541
GreenSpace Brands Inc.				69,193,248	3,845,233	3,113,696
Inscape Corporation, Class B				6,886,981	4,498,638	5,853,934
MAV Beauty Brands Inc.				250,500	511,587	240,480
Peloton Interactive, Inc.				153,000	7,411,760	5,053,430
ProntoForms Corporation				3,044,333	1,577,078	2,405,023
Quorum Information Technologies Inc.				1,683,100	1,461,268	1,683,100
Redline Communications Group Inc.				378,153	649,717	294,959
Sangoma Technologies Corporation				380,843	7,260,034	6,771,389
Stitch Fix, Inc.				121,684	3,135,572	1,531,881
Tantalus Systems Holding Inc.				486,131	251,200	753,503
Vigil Health Solutions Inc.				1,471,500	507,493	978,548
Zillow Group, Inc.				67,600	5,010,676	4,165,505
					38,837,661	37,290,063
Warrants: (0.0%)						
BuildDirect.com Technologies Inc.	4.23	12/31/2030	USD	89,722	-	-
BuildDirect.com Technologies Inc.	6.90	08/13/2023	CAD	428,240	-	-
Else Nutrition Holdings Inc.	3.25	10/06/2022	CAD	11,607	-	871
GreenSpace Brands Inc.	0.08	12/23/2022	CAD	42,140,328	-	-
GreenSpace Brands Inc.	0.09	09/28/2023	CAD	612,300	-	-
Newtopia Inc.	1.00	05/03/2022	CAD	178,571	-	-
Siyata Mobile Inc.	65.25	12/23/2022	CAD	6,896	-	-
					-	871
					38,837,661	37,290,934
Private unlisted companies: (79.5%)						
Common shares/Units:						
Pender Private Investments Inc., Commercialization Shares ²				1,002,555	508,096	
Pender Private Investments Inc., Legacy Shares ²				6,930,793	19,282,285	
Pender Private Debt Opportunities Fund I Limited Partnership					6,181,000	
Preferred shares:						
Checkfront, Inc., Series A-2				38,973	999,993	
Clarius Mobile Health Corp.				1,652,311	1,645,478	
D-Wave Systems Inc.				224,144	1,200,000	
Jane Software Inc.				103,823	4,055,326	
					33,872,178	116,454,482
Less: Transaction costs included in cost of investments					(21,295)	
Total investments (105.0%)					\$ 72,688,544	\$ 153,745,416
Cash (1.8%)						2,700,628
Other assets less liabilities (-6.8%)						(9,959,738)
Total Shareholders' Equity (100.0%)					\$	146,486,306

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

¹Copperleaf is the Company's largest single public company holding, representing 68.0% of the total portfolio, including both its direct holdings and its indirect holdings investment through its investment in Pender Private Investments Inc.

²Considering the make up of the portfolio including the underlying portfolio of our private holding of PPI, an entity that holds both public and private companies, the proportions of the total portfolio made up by publicly listed companies and private unlisted companies were 90.5% and 9.5%, respectively.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

1. Incorporation and nature of operations:

Pender Growth Fund Inc. (the “Company”) was incorporated under the laws of British Columbia on March 7, 1994.

The Company has been managed by PenderFund Capital Management Ltd. (the “Manager”) since 2003. The investment objective of the Company is to achieve long-term capital growth from investment in opportunities identified by the Manager.

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

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. These condensed interim financial statements (“financial statements”) of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These financial statements should be read in conjunction with the audited annual financial statements.

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 May 27, 2022.

(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.

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

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

3. Significant accounting policies:

These financial statements follow the same accounting policies and methods of application as applied in the December 31, 2021 annual audited financial statements.

4. Purchase of Pender Private Investments Inc.:

On May 28, 2021 (the "Effective Date"), the Company completed a transaction (the "WOF Transaction") with the Working Opportunities Fund (EVCC) Ltd. ("WOF"), an investment entity, for the acquisition of WOF's issued and outstanding shares pursuant to an April 7, 2021 definitive agreement (the "Arrangement Agreement"), under a plan of arrangement.

On the Effective Date of the WOF Transaction, the Company acquired 100% of WOF's Commercialization Series shares for a total cash purchase price of \$508,096 which was paid in full on closing as well as 97% of WOF's Venture Series shares for a total cash purchase price of \$25,316,232, 50% of which was paid on closing with the remaining 50% paid on November 25, 2021. The Venture Series shares were acquired at a discount to their fair value, with their purchase price 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 for any change of up to 5% in their value to the day before the May 28, 2021 effective date of the WOF Transaction.

Upon the closing of the WOF Transaction, WOF changed its name to Pender Private Investments Inc. ("PPI"), and the Venture Series shares were renamed the "Legacy Shares".

The Company had an obligation to make certain additional payments to those Venture Series shareholders that sold their shares (the "Exiting Shareholders") to the Company for divestments of WOF portfolio investments (the "Contingent Payment Obligation"). The Contingent Payment Obligation was 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 arose as follows: (a) if a divestment completed on or before November 18, 2021, Exiting Shareholders would receive their pro rata portion of 60% of the net gain; (b) if a divestment completed on or before February 18, 2022, Exiting Shareholders would receive their pro rata portion of 45% of the net gain; and (c) if a letter of intent, term sheet or binding agreement for a divestment was entered into on or before February 18, 2022 and such divestment was subsequently completed by May 18, 2022, Exiting Shareholders would receive their pro rata portion of 20% of the net gain.

No letter of intent, term sheet or binding agreement for a divestment was entered into after November 18, 2021 and before February 18, 2022, the final period during which an additional exit payment could have been triggered. Therefore, the right to any additional cash payment has ceased and the Exit Venture Shares were redeemed automatically during the month of May 2022.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

4. Purchase of Pender Private Investments Inc. (continued):

The divestment of two of PPI's portfolio investments triggered a requirement for a pro rata redemption of Legacy Shares at the NAV in effect at the time. Accordingly, in October 2021, PPI redeemed approximately 58.49% of all Legacy Shares, including those held by the Company, on a pro rata basis at a redemption price of approximately \$6.4705 per share. The Company received a total of \$63,197,947 upon the redemption of 9,767,089 of the Legacy Shares it held. A portion of these proceeds was used to satisfy the additional cash payment to the Exiting Shareholders that was triggered by the divestments and the redemption. The Exiting Shareholders became entitled to receive an additional cash payment of \$1.2661 per share, or total value of \$21,136,513, which was paid effective October 13, 2021.

As at March 31, 2022, the Company held 97% of the outstanding Legacy Shares, or 6,930,793 Legacy Shares.

Under IFRS, the gain inherent in the difference between the purchase price paid by the Company and the fair value of the assets it acquired, is treated as a deferred gain and contra asset under the investments reported in the Statements of Financial Position. The deferred gain, recorded as \$32,798,793 on the effective date of the WOF Transaction, is being recognized to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the investment. In 2021, \$27,654,608 of the deferred gain was recognized and the remaining balance as at March 31, 2022, is \$5,144,185.

5. Related party transactions:

(a) Management and performance fees

(i) Management fees

In accordance with the Third Amended and Restated Management Agreement dated May 1, 2017, as amended March 7, 2019 (the "Management Agreement"), the Manager provides management services in connection with all aspects of the identification, investment, development, active monitoring and ultimate divestment of all investments of the Company. This Management Agreement is in effect until April 30, 2023, and shall be renewed automatically at that date for an additional four-year term, unless a vote of shareholders determines otherwise.

In exchange for these management services, the Company pays a management fee. Effective May 2019, the management fee was set at 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 May 2019 the management fee was 2.50% of the Company's total shareholders' equity per annum on total shareholders' equity of up to \$50,000,000 and 2.00% of the Company's total shareholders' equity in excess of \$50,000,000 per annum. The management fee is calculated and paid monthly. Subsequent to the WOF Transaction, Net Assets used in the management fee calculation excluded the value of the Company's investment in PPI. For the three months ended March 31, 2022, the management fees incurred by the Company were \$240,065 (March 31, 2021 - \$261,235).

(ii) Performance fees

The Manager is entitled to a performance fee plus applicable taxes in certain circumstances, based on achieving performance criteria set out in the Management Agreement. The performance fee is calculated

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

5. Related party transactions (continued):

(a) Management and performance fees (continued):

(ii) Performance fees (Continued)

on an annual basis as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%. The performance fee is subject to a high water mark, being the year-end total shareholders' equity per share for the most recent preceding year in which a performance fee was earned. Subject to 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. The Performance fees are accrued during the year, where applicable. However, annual performance fees are calculated on the last valuation date of the year and are payable to the Manager each year upon publication of the Company's audited annual financial statements. For the three months ended March 31, 2022, the Company accrued performance fees of \$Nil.

(iii) Performance fees - 2021

As at December 31, 2021 a portion of the net performance fee accrual that related to the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf was \$22,514,596.

For the year ended December 31, 2021, the high water mark was reset to \$26.77 which represents the portion of the performance fees calculated upon net realized gains. As at March 31, 2022, the portion of the performance fees that relates to the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf is \$1.77 (December 31, 2021 \$2.96).

During the three months ended March 31, 2022, due to a change in the unrealized appreciation of Copperleaf, the Company recorded a net reversal of previously accrued performance fees of \$9,003,263 (March 31, 2021 - Nil). The changes related to the December 31, 2021 performance fee accrual are summarized in the table below:

2021 performance fee accrual			
For the three months ended March 31, 2022	Balance, beginning of period	Changes	Balance, end of period
Performance fees	36,991,288	(14,943,990)	22,047,298
Fees waived by the Manager	(9,247,822)	5,940,727	(3,307,095)
Net amount	27,743,466	(9,003,263)	18,740,203

Of the net 2021 performance fee accrual of \$27,743,466 at December 31, 2021, \$5,228,870 related to performance fees calculated upon net realized gains and this amount was paid to the Manager in April 2022.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

5. Related party transactions (continued):

(a) Management and performance fees (continued):

(iv) Performance fee related to PPI

The Manager has agreed pay to the Company an amount equal to the portion of the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI shares, or 97%. As at March 31, 2022, the Company has accrued a receivable from the Manager of \$23,192,902 (December 31, 2021 - \$34,150,813) related to the PPI performance fee earned by the Manager that is attributable to the Company's ownership of PPI Shares. During the three months ended March 31, 2022, the \$10,957,911 decrease in this receivable relates to the change in the unrealized appreciation of the Company's indirect holdings of Copperleaf.

(v) Performance fee summary

For the three months ended March 31, 2022, the 2021 total performance fee adjustment was \$1,954,648 (March 31, 2021 – Nil) as summarized in the table below:

2021 total performance fee adjustment			
For the three months ended	Balance,		Balance,
March 31, 2022	beginning	Changes	end
	of period		of period
Net amount of performance fee	27,743,466	(9,003,263)	18,740,203
Amount due from Manager related to performance fees earned from PPI	(34,150,813)	10,957,911	(23,192,902)
Total performance fee adjustment	(6,407,347)	1,954,648	(4,452,699)

(b) Due from related parties

As at March 31, 2022, the Company had a net balance due from related parties of \$4,331,191 (December 31, 2021 –\$6,243,402), all of which was due from the Manager. Of this amount, \$18,861,711 was due to the Manager for normal course management fees and operating expenses paid on behalf of the Company \$121,508 and performance fees net of fees waived by the Manager \$18,740,203. This was offset by an amount due from the Manager of \$23,192,902 (December 31, 2021 - \$34,150,813) related to performance fees earned from PPI that the Manager agreed to pay to the Company, as described above.

(c) Share holdings

As at March 31, 2022, the Manager, directors and officers of the Company directly or indirectly held 10.0% (December 31, 2021 – 10.0%) of the Company's Class C Shares.

The aggregate investment by the Company's directors and officers in all Portfolio Companies did not exceed 1.0% of the issued and outstanding shares of any Portfolio Company.

As noted previously the Company holds 97% of the outstanding shares of PPI, an entity also managed by the Manager.

On January 1, 2022 the Company transferred its holdings in certain loans and convertible debentures and warrants to Pender Private Debt Opportunities Fund I Limited Partnership ("PPDF"). The Company is the sole limited partner of PPDF. PPDF is a related party and is also managed by a wholly owned subsidiary of the Manager.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

6. Securities lending transactions:

As at March 31, 2022, the value of securities loaned is \$Nil (December 31, 2021 – \$Nil) and collateral received in respect of securities lending is \$Nil (December 31, 2021 – \$Nil).

Collateral received in respect of securities lending may be comprised of debt obligations of the Government of Canada and other countries, Canadian provincial or territorial governments, governments of states of the United States of America, and evidence of indebtedness of financial institutions whose short-term debt is rated A-1 or R-1 or equivalent by a recognized, widely followed North American credit rating agency.

A reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned by the Company for the three months ended March 31, 2022 and 2021 is presented in the following table.

Periods ended	Gross Income	Withholding taxes	Agent fees	Securities lending income
March 31, 2022	\$ -	\$ -	\$ -	\$ -
March 31, 2021	\$ 13,401	\$ -	\$ (5,360)	\$ 8,041

The agent fees were paid to the Securities Lending Agent by the Company and represented 40% of the gross securities lending income net of withholding taxes through to March 31, 2020, and 35% of the gross securities lending income net of withholding taxes thereafter.

7. Withholding tax expense:

Certain dividend income received by the Company is subject to withholding tax imposed in the country of origin. During the period, withholding tax rates were between 0% and 35% (2021 – between 0% and 35%).

8. Share capital:

(a) Authorized share capital:

On July 24, 2019, the shareholders approved a resolution deleting the Class B and Class R shares, altering the rights and restrictions of Class C shares to remove references therein to Class R shares, and creating a new class of preferred shares.

As at March 31, 2022, the authorized capital of the Company consists of:

- (i) An unlimited number of Class C Participating Common Shares (“Class C Shares”); and
- (ii) An unlimited number of Preferred Shares (“Preferred Shares”).

Class C Shares:

Class C Shares are not redeemable or convertible. Class C Shares are listed on the TSX Venture Exchange (“TSXV”) under the ticker symbol “PTF”.

Each Class C Share is entitled to one vote in any vote on shareholder matters and is entitled to dividends at the discretion of the Board of Directors.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

8. Share capital (continued):

(a) Authorized share capital (continued):

Preferred Shares:

The Preferred Shares were created on July 24, 2019. As at March 31, 2022 and December 31, 2021, no Preferred Shares have been issued. The special rights and restrictions of the Preferred Shares empower the Board to fix the number of shares in each series of each class of Preferred Shares and to fix the preferences, special rights and restrictions, privileges, conditions and limitations attaching to the shares of that series, before the issuance of shares of any particular series. The Board has the power to fix, among

other things, the number of shares constituting any series, the voting powers, designation, preferences and relative participation, optional or other special rights and dividend rate, terms of redemption (including sinking fund provisions), redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series. The issuance of Preferred Shares could affect the rights of the holders of Class C shares.

(b) Issued and fully paid shares:

During the three months ended March 31, 2022 and 2021, the Company has issued and fully paid Class C shares outstanding as follows:

	Balance, Beginning of period	Shares issued	Shares repurchased	Balance, end of period
March 31, 2022				
Class C	7,616,529	-	(21,300)	7,595,229
March 31, 2021				
Class C	7,740,129	-	(111,700)	7,628,429

Following the expiry of Normal Course Issuer Bid ("NCIB") on February 10, 2021, the Company launched a new NCIB on the TSXV. Upon this launch, the Company had 7,739,121 shares issued, of which 7,008,669 Shares represented its public float. The Company was entitled to purchase up to a maximum of 700,866 Shares, representing 10% of its public float, over the one-year period of this NCIB. The NCIB was continued in effect until February 11, 2022.

On February 14, 2022, the Company launched a new NCIB on the TSXV. Upon launch, the Company had 7,609,621 shares issued, of which 6,788,397 Shares represented its public float. The Company is entitled to purchase up to a maximum of 678,839 Shares, representing 10% of its public float, over the one-year period of this NCIB. The NCIB will continue until February 13, 2023, unless terminated earlier in accordance with its terms. During the three months ended March 31, 2022, the Company bought back 21,300 shares under its NCIB for a total price of \$335,644 (March 31, 2021 – 111,700 shares and \$610,571).

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

8. Share capital (continued):

(c) Equity capital:

The changes in shareholders' equity for the three months ended March 31, 2022 and 2021 are as follows:

	Share capital	Retained earnings	Total
Balance, January 1, 2022	\$ 18,007,980	\$ 180,635,675	\$ 198,643,655
Net loss	-	(51,821,705)	(51,821,705)
Capital transactions	(335,644)	-	(335,644)
Balance, March 31, 2022	\$ 17,672,336	\$ 128,813,970	\$ 146,486,306

	Share capital	Retained earnings	Total
Balance, January 1, 2021	\$ 18,715,287	\$ 28,538,903	\$ 47,254,190
Net income	-	137,400	137,400
Capital transactions	(610,571)	-	(610,571)
Balance, March 31, 2021	\$ 18,104,716	\$ 28,676,303	\$ 46,781,019

9. Capital management:

The Company's Class C Shares represent the capital of the Company. The Company is not subject to any external or internally imposed restrictions on its capital other than debt covenants as described in Note 10.

The investment objective of the Company is to achieve long-term capital growth. The firm invests in public and private companies based primarily in Canada and the U.S., principally in the technology sector.

The Company's objective in managing capital is to ensure it has the ability to continue to make new investments and to make follow-on investments in companies that it has previously invested in, to have sufficient cash for operations and to continue to operate as a going concern.

10. Loan payable

In connection with the WOF Transaction described in Note 4, the Company obtained a three-year term loan from a Canadian chartered bank, under a loan agreement dated May 28, 2021, as amended March 31, 2022. The facility provided for a maximum amount of \$10,000,000 to be advanced in one or two tranches (the "Term Loan"). As security for the Term Loan, the Company granted the lender a security interest in all of the shares of PPI held by the Company and its holdings in its public company investments. The Company is in compliance with all covenants on the loan agreement as of March 31, 2022.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

10. Loan payable (continued):

In 2021, the Company drew \$5,000,000 on the Term Loan, at an interest rate of Prime plus 5% per annum. On March 31, 2022, the bank swept the \$5,000,000 owing under this first tranche, and, under the terms of the amended loan agreement, collected 6 months' prepayment interest, or \$193,027. Concurrently, the Company drew down \$5,000,000 as a second tranche, which bears interest at the rate of Prime plus 2% for a minimum one year term. The Term Loan matures on May 28, 2024.

11. 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's investment objective is to achieve long-term capital growth by investing in public and private companies. The Company maintains positions in a variety of financial instruments in accordance with its investment objectives and strategies. The Schedule of Investment Portfolio groups these investment holdings by asset type. The Company's exposure to financial risk is concentrated in its investment holdings. 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 and diversify the investment portfolio within the constraints of the investment guidelines.

Certain significant events in recent years have increased financial risk. In particular, the war between Russia and Ukraine, the COVID-19 global health pandemic and the move by central banks to taper monetary and fiscal stimulus and raise interest rates to control inflation. These events have had an impact on many entities and the markets for the securities that they issue and that impact may continue.

Investment results may be affected by future developments and new information that may emerge resulting from Russia's invasion of Ukraine, COVID-19, its variants and the pandemic, and the impact of central bank measures, factors which are beyond the Company's control.

The Company will continue to support its Portfolio Companies, to monitor the impact that global events have on them and to reflect the consequences as appropriate in its accounting and reporting.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

11. Financial risk management (continued):

(a) Credit risk:

Credit risk represents the risk associated with the inability of a counterparty to fulfill its financial obligations. The Company limits its exposure to credit risk related to its excess cash, when applicable, by investing in high quality short-term investments, typically term or other deposits with a large Canadian bank.

The Company is also exposed to credit risk through its investment in loans, convertible and other notes and preferred shares of its investee companies. The Company manages this credit risk through careful selection and monitoring of its investee companies. Receivables relating to the Company's investments are also subject to credit risk and are managed through active review of the portfolio of private unlisted investments.

The Company's maximum exposure to credit risk as at March 31, 2022 is \$8,921,673 (December 31, 2021 - \$13,065,978).

(b) Liquidity risk:

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company invests in equity securities and other financial instruments. A portion of the Company's equity holdings are in private unlisted investments for which no active markets exist. Accordingly, timely disposition may not be possible and the realized price may be significantly different from the carrying value.

The Company's policy is to maintain sufficient cash to meet normal operating requirements. It is also the Company's policy that the Manager monitors the Company's liquidity position and that the board of directors reviews it on a quarterly basis.

The following table summarizes the Company's financial liabilities as at March 31, 2022 and December 31, 2021, based on undiscounted contractual cash flows:

	March 31, 2022	December 31, 2021
Interest payable	\$ 224,603	\$ 31,637
Share repurchase payable	13,676	-
Accounts payable and accrued liabilities	244,229	203,940
Payable for investments purchased	-	86,976
Income taxes payable	-	3,031,126
Loan payable	5,000,000	5,000,000
Total	\$ 5,482,508	\$ 8,353,679

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

11. Financial risk management (continued):

(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 its holdings of financial instruments. These changes present the risk that markets as a whole may go down in value, including the possibility that markets may go down sharply and unpredictably at times. The value of most investments, and in particular equity securities, is affected by changes in general market conditions. These changes may be caused by corporate developments, general market sentiment, changes in interest rates, changes in the level of inflation, political and economic changes both domestic and foreign, catastrophic events, such as pandemics and outbreaks of disease, natural disasters including those exacerbated by climate change, war, acts of aggression or terrorist events, and other unforeseen events that may cause changes to markets.

(i) Interest rate risk:

Interest rate risk is the risk that fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's investment portfolio may contain private debt instruments, the majority of which may be convertible. The valuation of these private debt instruments is based on the enterprise value of the underlying Company and generally does not change with changes in market interest rates. The interest rates of these instruments are fixed, so changes in market interest rates will not impact cash flows of the Company. Accordingly, the Manager does not consider there to be significant interest rate risk on the Company's private debt investments.

(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. The Company invests primarily in Canadian securities. Accordingly, the Company is not subject to significant currency risk.

(iii) Other price risk:

Other price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from the aforementioned risks), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. The Manager manages other price risk through careful selection of investments and through diversification of the investment portfolio.

As at March 31, 2022, if the fair value of the Company's publicly listed investments had increased or decreased by 10% with all other factors remaining constant, the Company's shareholders' equity would have increased or decreased by approximately \$4,519,000 (December 31, 2021 - \$4,611,000). Price sensitivity was determined based on portfolio-weighted beta. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

12. 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).

The Company uses widely recognized valuation models for determining the fair value of common and relatively simple financial instruments, such as debt 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 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 GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

12. 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 March 31, 2022 and December 31, 2021 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.

	March 31, 2022	December 31, 2021
Level 1:		
Publicly listed companies	\$ 37,290,934	\$ 50,497,509
Level 2:		
Publicly listed companies	-	35,760
Level 3:		
Publicly listed companies – loans and convertible debentures	-	5,141,000
Private unlisted companies	116,454,482	152,676,928
Total Level 3	116,454,482	157,817,928
	\$ 153,745,416	\$ 208,351,197

During the three months ended March 31, 2022, there were no transfers between any levels of the fair value hierarchy. For the year ended December 31, 2021, BuildDirect.com Technologies Inc., Tantalus Systems Holding Inc. and Copperleaf Technologies Inc. were transferred from level 3 to level 1 of the fair value hierarchy upon becoming publicly traded.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorized within Level 3 for the three months ended March 31, 2022 and the year ended December 31, 2021:

	March 31, 2022	December 31, 2021
Opening balance	\$ 157,817,928	\$ 17,283,252
Amounts paid on purchase of investments	1,686,353	56,157,169
Sales and settlements of investments	(315)	(76,978,506)
Transfers from Level 1 to Level 3	-	(4,863,951)
Total gain (loss) recognized in comprehensive income	(43,049,484)	166,219,964
Ending balance	\$ 116,454,482	\$ 157,817,928

Included in the net change in unrealized appreciation (depreciation) in fair value of investments on the Statements of Comprehensive Income for the three months ended March 31, 2022 is a change in unrealized depreciation of \$43,085,559 (December 31, 2021 – unrealized appreciation \$118,121,235 related to Level 3 investments).

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

12. Fair value of financial instruments (continued):

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

The table below sets out information about significant unobservable inputs used at March 31, 2022 and December 31, 2021 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

March 31, 2022

Description	Fair value	Valuation technique	Unobservable input	Enterprise value/ weighted average multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	\$116,454,482	Investment cost/ enterprise value	Enterprise value	\$116,454,482	The estimated fair value would increase if enterprise value increased

December 31, 2021

Description	Fair value	Valuation technique	Unobservable input	Enterprise value/ weighted average multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	\$157,817,928	Investment cost/ enterprise value	Enterprise value	\$157,817,928	The estimated fair value would increase if enterprise value increased

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 arm's length transactions in shares of entities comparable to 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 GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

12. Fair value of financial instruments (continued):

(d) Effects of unobservable input on fair value measurement:

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to alternative reasonably possible assumptions would have the following effects on shareholders' equity at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Favourable	\$ 11,645,448	\$ 15,781,793
Unfavourable	(11,645,448)	(15,781,793)

The favourable and unfavourable effects of using alternative reasonably possible assumptions for the valuation of unlisted private investments have been calculated by recalibrating the model values using unobservable inputs based on ranges of possible estimates. The recalibrated model considers:

- The impact of a 10% increase or decrease in enterprise value.
- A change in the revenue multiple to alternative reasonably possible assumptions of 1.0 and 3.0, respectively.

(e) Financial instruments not measured at fair value:

The carrying value of the Company's financial instruments, other than investments, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

13. Income taxes:

The taxation year-end of the Company is December 31. As at the end of the 2021 tax year-end, the Company has \$Nil capital losses (2020 - \$5,903,051) and \$Nil non-capital losses (2020 - \$12,363,944).

For the three months ended March 31, 2022, the Company has current tax liability of \$Nil (December 31, 2021 - \$3,031,126) and deferred income tax liability \$10,957,815 (December 31, 2021 - \$19,513,395).

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2022

14. Involvement with subsidiaries and associates:

The table below describes subsidiaries and associates in which the Company holds an interest and that it does not consolidate or account for by the equity method.

Entity	Nature and purpose	Interest held by the Company
Inscape Corporation	Industrial	Investment in common shares
Pender Private Investments Inc.	Private Equity Investments	Investment in common shares
Pender Private Debt Opportunities Fund I Limited Partnership	Private Debt Investments	Investment in limited partnership

The table below sets out interests held by the Company in unconsolidated subsidiaries and associates. The maximum exposure to loss is the carrying amount of the financial assets held.

March 31, 2022 and December 31, 2021					
Name of Entity	Relationship	Principal place of business	Country of incorporation	Ownership interest	Voting rights
Inscape Corporation	Associate	Canada	Canada	48% (2021 - 48%)	48% (2021 - 48%)
Pender Private Investments Inc.	Subsidiary	Canada	Canada	97% (2021 - 97%)	97% (2021 - N/A)
Pender Private Debt Opportunities Fund I Limited Partnership	Partnership	Canada	Canada	100% (2021 - N/A)	N/A

Furthermore, none of the subsidiaries described in the table above are subject to any restrictions.