

Unaudited Condensed Interim Financial Statements of

PENDER PRIVATE INVESTMENTS INC.

Three months ended March 31, 2022

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	March 31, 2022	December 31, 2021
Assets			
Cash		\$ 3,950,075	\$ 4,355,991
Accounts receivable		3,773	-
Divestment proceeds receivable		1,024,272	1,036,356
Venture investments	2, 4, 8	129,767,065	186,988,686
Total Assets		134,745,185	192,381,033
Liabilities			
Due to related parties	4	23,936,196	34,966,619
Other accounts payable and accrued liabilities		30,698	157,495
Dividends payable		67,254	68,382
Share redemptions payable		51,569	53,183
Current income taxes payable	9	18,851	368,851
Deferred income tax liability	4	-	623,937
Total Liabilities		24,104,568	36,238,467
Shareholders' Equity			
Class A shares:			
Contributed capital		254,358,116	254,358,116
Retained earnings		(143,717,499)	(98,215,550)
Total Shareholders' Equity		\$ 110,640,617	\$ 156,142,566
Number of shares outstanding per series			
	5		
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		7,131,477	7,131,477
Venture Series - Exit Venture Shares		166,942	166,946
Commercialization Series - 05 Commercialization Shares (series 2)		1,002,555	1,002,555
Total shareholders' equity per share			
Venture Series - Balanced Shares (series 1)		\$ -	\$ -
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		15.46	21.83
Venture Series - Exit Venture Shares		-	-
Commercialization Series - 05 Commercialization Shares (series 2)		0.38	0.48

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 March 31, 2022	Three months ended March 31, 2021
Revenue:			
Investment income			
Interest - bonds, deposits and other investments		\$ 104	\$ 754
Foreign exchange loss		(15,491)	-
Net realized gain (loss) from the sale of			
Venture investments		-	(4,143,055)
Net change in unrealized appreciation (depreciation) of investments			
Venture investments		(57,182,463)	6,859,732
Total revenue		(57,197,850)	2,717,431
Operating expenses:			
Management and administration fees	4	898,410	235,609
Directors' fees		5,184	6,763
Other expenses		-	13
Operating expenses		-	85,018
Professional fees		-	98,932
Custody and recordkeeping fees		-	88,896
Independent review committee costs		-	3,188
Total operating expenses		903,594	518,419
Less: Fees waived by the Manager	4	(700,617)	-
Net operating income (loss)		(57,400,827)	2,199,012
Other Items:			
Legacy performance fee adjustment	4	(11,274,941)	-
Net income (loss) before income tax expense (recovery)		\$ (46,125,886)	\$ 2,199,012
Income tax expense (recovery):			
Deferred	9	(623,937)	-
Net income (loss)		\$ (45,501,949)	\$ 2,199,012
Net income (loss) per share			
Venture Series - Balanced Shares (series 1)		\$ -	\$ 0.13
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		(6.37)	0.14
Venture Series - Exit Venture Shares		-	-
Commercialization Series - 05 Commercialization Shares (series 2)		(0.10)	(0.06)
Weighted average shares outstanding per series during the period			
Venture Series - Balanced Shares (series 1)		-	4,013,041
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		7,131,477	12,421,473
Venture Series - Exit Venture Shares		166,943	-
Commercialization Series - 05 Commercialization Shares (series 2)		1,002,555	1,002,555

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

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Statements of Changes in Equity (Unaudited)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Class A shares		
Balance, beginning of period	\$ 156,142,566	\$ 61,301,558
Net income (loss)	(45,501,949)	2,199,012
Capital transactions - share redemption payment	-	-
Capital transactions - dividend payment	-	-
Balance, end of period	\$ 110,640,617	\$ 63,500,570

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

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Statements of Cash Flows (Unaudited)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Cash provided by (used in):		
Operating:		
Net income (loss)	\$ (45,501,949)	\$ 2,199,012
Adjustments for:		
Interest - bonds, deposits and other investments	(104)	(754)
Foreign exchange loss	15,491	-
Net realized (gain) loss from the sale of venture investments	-	4,143,055
Net change in unrealized (appreciation) depreciation of venture investments	57,182,463	(6,859,732)
(Increase) decrease accounts receivable	(3,773)	(25,246)
(Increase) decrease divestment proceeds receivable	12,084	-
Increase (decrease) due to related parties	(11,030,423)	3,099
Increase (decrease) deferred income tax liability	(623,937)	-
Increase (decrease) current income taxes payable	(350,000)	-
Increase (decrease) other accounts payable and accrued liabilities	(126,797)	(121,726)
	(426,945)	(662,292)
Proceeds on disposal of investments	39,158	401,369
Interest received	104	866
Net cash provided by (used in) operating activities	(387,683)	(260,057)
Financing:		
Payment of conditional incentive participation dividend	-	(322,849)
Payments of dividends	(1,128)	-
Payments of redemption of shares	(1,614)	-
Net cash provided by (used in) financing activities	(2,742)	(322,849)
Net increase (decrease) in cash during the period	(390,425)	(582,906)
Cash, beginning of period	4,355,991	2,446,381
Increase (decrease) due to exchange rate fluctuations on cash	(15,491)	-
Cash, end of period	\$ 3,950,075	\$ 1,863,475

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

PENDER PRIVATE INVESTMENTS INC.

Condensed Interim Schedule of Investment Portfolio (Unaudited)

As at March 31, 2022

VENTURE INVESTMENTS

	Exercise price	Expiry date	Issue Currency	Cost	Fair value
Publicly listed companies: (108.5%)					
Common shares: (108.5%)					
BuildDirect.com Technologies Inc.			\$	4,587,002	\$ 81,609
Copperleaf Technologies Inc.				1,934,284	119,831,086
Natera Inc.				353,949	126,026
				6,875,235	120,038,721
Private unlisted companies: (8.8%)					
Common shares:					
1150818 B.C. Ltd.				4,425,949	
Bootup Labs (VCC) Inc.				200,000	
D-Wave Systems Inc.				501,326	
General Fusion Inc.				150,000	
Highline, Canada AcceleratorCo Inc.				-	
Methylation Sciences Inc.				1,500,731	
Preferred shares (various series):					
4300092 Canada Inc.				6,257,428	
Cooledge Lighting Inc.				1,816,694	
D-Wave Systems Inc.				3,180,835	
Envysion Holdings Inc.				385,816	
General Fusion Inc.				5,047,420	
Highline, Canada AcceleratorCo Inc.				61,838	
Methylation Sciences Inc.				1,268,029	
Switch Materials Inc.				3,868,312	
Warrants:					
ArborGen Inc.	0.001	2032-06-19	USD	-	
Switch Materials Inc.	1.20	2022-12-20	CAD	-	
				28,664,378	9,728,344
Less: transaction costs included in cost of investments					
				-	
Total Venture Investments (117.3%)				\$ 35,539,613	\$ 129,767,065
Cash (3.6%)					
Other assets less liabilities (-20.9%)					
					3,950,075
					(23,076,523)
Total Shareholders' Equity (100.0%)					\$ 110,640,617

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

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

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. Please see Note 4 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)

Three months ended March 31, 2022

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.

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.

PENDER PRIVATE INVESTMENTS INC.

Notes to 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. Related party transactions:

(a) Management fees, contingent incentive participation dividend and performance fees:

(i) Management 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 1 and in section (d) of this note, the Manager provided management services to the Company and in exchange for those 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 is accrued but it is only paid divestment proceeds are available. In exchange for this 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 portfolio company, 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. The Manager may, in its sole discretion, reduce or waive management fees and reimburse the Company for any expenses.

For the three months ended March 31, 2022, the Company accrued management fees of \$898,410 (March 31, 2021 - \$235,609). The Manager agreed to waive \$700,617 (March 31, 2021 - \$Nil) of the management fees, reducing the net management fee expense to \$197,793.

(ii) Contingent incentive participation dividend

As at December 31, 2020, the Company had accrued a contingent incentive participation dividend, in accordance with a management agreement with a former manager. In March 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 (as defined in Note 5 below) that had given rise to the accrual. Please see further details in Note 5.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

4. Related party transactions (continued):

(a) Management fees, contingent incentive participation dividend and performance fees (continued):

(ii) *Performance fees*

The Management Agreement provides that on a reorganization of assets, once shareholders have received an amount equal to 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. This performance fee is calculated as 20% of the net divestment proceeds in excess of Effective Date NAV of Legacy Shares, after net divestment proceeds equal to the Effective Date NAV have been disbursed to Legacy Shareholders. During the three months ended March 31, 2022, due to a decrease in the estimated net divestment proceeds, as a result of valuation adjustments in the period, the Company recorded an adjustment to decrease the previously accrued performance fees of \$(11,274,941) (March 31, 2021 - Nil). The performance is accrued but will not become payable until a divestment occurs.

(b) Due to related parties

As at March 31, 2022, the Company had a net balance due to related parties of \$23,936,196 (December 31, 2021 - \$34,966,619), all of which is due to the Manager, comprising \$23,863,909 (December 31, 2021 - \$35,138,850) in respect of accrued performance fees payable, in addition to \$72,287 due to the Manager in respect of management fees and operating expenses paid by the Manager on behalf of the Company (December 31, 2021 offset by \$172,231 due from the Manager for management fees waived by the Manager net of operating expenses paid by the Manager on behalf of the Company).

(c) Shareholdings:

As at March 31, 2022, the Manager, directors and officers of the Company held, directly or indirectly, less than 1% (December 31, 2021 – less than 1%) of the Company's Shares. Pender Growth Fund Inc., a public company managed by the Manager, holds 97% of the Company's Venture Series – Legacy Shares as a result of the May 28, 2021, transaction described in Note 4(d) 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 portfolio company.

(d) 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.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

4. Related party transactions (continued):

(d) WOF Transaction (continued):

On the Effective Date of the WOF Transaction, PTF acquired 100% of the Company'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 the Company's Venture Series shares for a cash purchase price of \$25,316,232, 50% of which was paid on closing and 50% paid on November 25, 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 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 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.

Under the terms of the WOF Transaction, PTF has an obligation to make certain additional payments to those former Venture Series shareholders that sold their shares (the "Exiting Shareholders") to PTF, for divestments of 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 that arose as follows: (a) if a divestment completes on or before November 18, 2021, Exiting Shareholders would receive their pro rata portion of 60% of the net gain; (b) if a divestment completes 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 is entered into on or before February 18, 2022 and such divestment is subsequently completed by May 18, 2022, Exiting Shareholders would receive their pro rata portion of 20% of the net gain.

On October 13, 2021, in accordance with the Legacy Share rights, a portion of the Company's Legacy Shares were redeemed. The redemption was triggered by the Company's divestment of two of its portfolio investments. Accordingly, the Company redeemed approximately 58.49% of the Legacy Shares, at a redemption price of approximately \$6.4705 per share, with a total value of \$65,026,367. After the pro rata redemption 7,131,477 Legacy Shares were outstanding. As a result of this redemption, the Exiting Shareholders became entitled to receive an additional cash payment of \$1.2661 per share, or total value of \$21,136,513, and this was paid by PTF effective October 13, 2021.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

4. Related party transactions (continued):

- (d) WOF Transaction (continued):

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.

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)

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.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

5. Share capital (continued):

(a) Authorized share capital (continued):

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). The right to any additional cash payment ceased effective February 18, 2022 and the Exit Venture Shares are expected to be redeemed automatically during 2022.

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 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. In accordance with the Legacy Share rights, the divestment of two portfolio investments triggered a required redemption of 10,049,697 Legacy Shares on a pro rata basis at the NAV in effect. Under the WOF Transaction Exiting Shareholders were issued Exit Venture Shares, as described in Note 4 and Note 5(a), 16,694,554 Exit Venture Shares were issued and upon payment of the remaining 50% of the purchase price, 16,527,609 Exit Venture Shares were redeemed on a pro rata basis at NAV. Please refer to Note 4 for additional details.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

5. Share capital (continued):

(b) Class A shares (continued):

The table below summarizes the Class A share transactions during the three months ended March 31, 2022:

Number of Class A Shares (in 000's)	Outstanding Shares at Beginning of period	Issuance of Shares	Redemption of Shares	Exchange of Shares	Outstanding Shares at End of period
Legacy Shares (formerly Balanced Shares (series 2))	7,131	-	-	-	7,131
Exit Venture Shares	167	-	-	-	167
05 Commercialization Shares	1,003	-	-	-	1,003

The table below summarizes the Class A share transactions during the three months ended March 31, 2021:

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

Legacy Shareholders' share rights provide for a share redemption in up to three ways:

(1) Legacy Shareholders can receive pro rata redemptions from portfolio divestments, which entitles them to receive 95%-96% of the net divestment proceeds with 4%-5% being held in reserve to fund annual shareholder redemption requests ("Legacy Reserve"). As at March 31, 2022, \$3,422,441 of cash was held in the Legacy Reserve (December 31, 2021 - \$3,422,441). Net divestment proceeds will be distributed by way of pro rata redemption of Legacy Shares at NAV per Legacy Share. Once net divestment proceeds equal to the Effective Date NAV of the Legacy Shares have been disbursed to Legacy Shareholders, 80% of the net divestment proceeds will be distributed to the holders of Legacy Shares with the remaining 20% of the proceeds paid to the Manager as a performance fee.

(2) Legacy Shareholders also have an annual limited redemption right to request redemption of Legacy Shares at a redemption price equal to 40% of the NAV per Legacy Share as at December 31. PTF does not have this annual redemption right.

(3) In certain circumstances, PTF will have the right to trigger the pro rata "sunset" redemption of some or all of the Legacy Shares at a redemption price equal to 50% of the NAV per Legacy Share as at December 31.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

5. Share capital (continued):

(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, 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%; and

The principal invested in that venture investment had been fully recovered.

During three months ended March 2021, the Company settled the accrued contingent incentive participation dividend relating to these 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 no longer form part of the Company's share structure.

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, the 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 Schedule of Investment Portfolio groups securities by asset type.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

7. Financial risk management (continued):

The Company's exposure to financial risk is concentrated in its investment holdings. In particular, the Company's portfolio is materially concentrated in the shares Copperleaf Technologies Inc., a publicly listed Portfolio Company in the technology sector, a sector for which markets tend to be relatively volatile.

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.

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 geopolitical events, 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.

(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 as at March 31, 2022 is \$1,028,045 (December 31, 2021 - \$1,036,356).

(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 Note 5.

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Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

7. 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 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 March 31, 2022 and December 31, 2021 the Company had no exposure to interest rate risk as it did not hold bonds, deposits or other relevant 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. 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 as at March 31, 2022 and December 31, 2021 was:

31-Mar-22			31-Dec-21		
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	change in the USD/CAD exchange rate on shareholders' equity (+/-)
\$9,854,370	8.91%	0.45%	\$10,135,855	6.49%	0.32%

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Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

7. Financial risk management (continued):

(c) Market risk (continued):

(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), 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 monitoring publicly traded investments received while managing the Company's Divestment Objective.

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).

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.

PENDER PRIVATE INVESTMENTS INC.

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8. Fair value of financial instruments (continued):

(a) Valuation models (continued):

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.

(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	\$	120,038,721	\$	177,145,566
Level 3:				
Private unlisted companies	\$	9,728,344	\$	9,843,120
Total	\$	129,767,065	\$	186,988,686

During the three months ended March 31, 2022, no portfolio companies were transferred from level 3 to level 1 of the fair value hierarchy. During the year ended December 31, 2021, BuildDirect.com Technologies Inc. and Copperleaf Technologies Inc. were transferred from level 3 to level 1 of the fair value hierarchy upon becoming publicly traded.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

8. Fair value of financial instruments (continued):

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

The following table shows a reconciliation of changes for investments measured at fair value using unobservable inputs (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	\$ 9,843,120	\$ 59,512,871
Purchases	-	-
Sales and Settlements (proceeds)	(39,158)	(73,855,522)
Transfers to (from) level 3 to level 1	-	(22,034,147)
Realized gains (losses)	-	48,447,681
Change in unrealized appreciation (depreciation)	(75,618)	(2,227,763)
Ending balance	\$ 9,728,344	\$ 9,843,120

Included in the net change in unrealized appreciation in fair value of investments on the Company's Statements of Comprehensive Income for the three months ended March 31, 2022 is a change in unrealized of (\$75,618) (year ended December 31, 2021 – change in unrealized of (\$2,227,763)) 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 March 31, 2022 and December 31, 2021 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

March 31, 2022

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 (+/-)
Discount factor	\$ 191,257	75%	25%	\$ 115,000 (191,000)

December 31, 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 (+/-)
Discount factor	\$ 193,513	75%	25%	\$ 113,000 (194,000)

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements (Unaudited)

Three months ended March 31, 2022

8. Fair value of financial instruments (continued):

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

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.

- (d) 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.

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 year ended December 31, 2020. 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.

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Three months ended March 31, 2022

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.

The taxation year-end of the Company is December 31. As at the end of 2021 tax year-end, the Company has \$Nil accumulated capital losses (2020 - \$145,505,842) and \$48,094,657 of non-capital losses (2020 - \$53,797,637). The non-capital losses of \$48,094,657 are carried forward from the change of control and cannot be applied against capital gains or business investment income.

Capital losses are available to be carried forward indefinitely. Non-capital losses may be carried forward up to 20 years.

As at March 31, 2022, the Company has a current tax liability of \$18,851 (December 31, 2021 - \$368,851) and deferred income tax liability of \$Nil (December 31, 2021 - \$623,937).

10. Series dividend policies:

Immediately prior to the WOF Transaction the Company distributed all excess cash for each Series, if any, to the shareholders as a dividend.

Subsequent to the WOF Transaction, 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.

PENDER PRIVATE INVESTMENTS INC.

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11. Subsequent event:

Under the WOF Transaction Legacy shareholders are able to request annual retraction of Legacy Shares at an amount equal to 40% of net asset value per share, subject to certain conditions.

The Company has announced that the Designated Retraction Period for redemption of Legacy Shares will commence on April 8, 2022 (“Exercise Commencement Date”) until June 6, 2022 (the “Exercise Deadline”). The redemption price for such Designated Retraction Period will be approximately \$8.73 per share, which is 40% of the NAV per Legacy Share in effect on December 31, 2021 (“Retraction Price”).

Holders of Legacy Shares, other than PTF, are entitled to redeem all or any part of such Holder’s Legacy Shares at a price equal to the Retraction Price.