

Unaudited Condensed Interim Financial Statements of

PENDER PRIVATE INVESTMENTS INC.

Three months ended March 31, 2023

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, 2023	December 31, 2022
Assets			
Cash	5	\$ 4,999,063	\$ 3,701,497
Accounts receivable		5,642	4,763
Income taxes receivable		546,626	546,626
Divestment proceeds receivable		114,132	747,012
Venture investments	2, 4, 8	45,018,088	50,065,185
Total Assets		50,683,551	55,065,083
Liabilities			
Other accounts payable and accrued liabilities		5,194	5,186
Due to related parties	4	7,920,295	8,184,486
Share redemptions payable		60,473	106,643
Dividends payable		143	66,152
Total Liabilities		7,986,105	8,362,467
Shareholders' Equity			
Class A shares:			
Contributed capital		254,358,116	254,358,116
Retained earnings		(211,660,670)	(207,655,500)
Total Shareholders' Equity		\$ 42,697,446	\$ 46,702,616
Number of shares outstanding per series			
	5		
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		6,579,039	6,579,039
Commercialization Series - 05 Commercialization Shares (series 2)		1,002,555	1,002,555
Total shareholders' equity per share			
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		6.44	7.05
Commercialization Series - 05 Commercialization Shares (series 2)		0.32	0.33

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, 2023	Three months ended March 31, 2022
Revenue:			
Investment income			
Interest - bonds, deposits and other investments		\$ 28,689	\$ 104
Foreign exchange loss		(3,264)	(15,491)
Net realized loss from the sale of Venture investments		(3,424,751)	-
Net change in unrealized depreciation of investments Venture investments		(865,704)	(57,182,463)
Total revenue		(4,265,030)	(57,197,850)
Operating expenses:			
Management and administration fees	4	333,455	898,410
Directors' fees		5,246	5,184
Total operating expenses		338,701	903,594
Less: Fees waived by the Manager	4	(244,537)	(700,617)
Net operating (loss) income		(4,359,194)	(57,400,827)
Other Items:			
Legacy performance fee adjustment	4	(354,024)	(11,274,941)
Net (loss) before income tax expense (recovery)		\$ (4,005,170)	\$ (46,125,886)
Deferred income tax recovery	9	-	(623,937)
Net (loss) income		\$ (4,005,170)	\$ (45,501,949)
Net (loss) income per share			
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		(0.61)	(6.37)
Venture Series - Exit Venture Shares		-	-
Commercialization Series - 05 Commercialization Shares (series 2)		(0.01)	(0.11)
Weighted average shares outstanding per series during the period			
Venture Series - Legacy Shares (formerly Balanced Shares (series 2))		6,579,039	7,131,477
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)

Class A shares	Three months ended March 31, 2023	Three months ended March 31, 2022
Balance, beginning of period	\$ 46,702,616	\$ 156,142,566
Net (loss) income	(4,005,170)	(45,501,949)
Balance, end of period	\$ 42,697,446	\$ 110,640,617

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, 2023	Three months ended March 31, 2022
Cash provided by (used in):		
Operating:		
Net (loss) income	\$ (4,005,170)	\$ (45,501,949)
Adjustments for:		
Interest - bonds, deposits and other investments	(28,689)	(104)
Foreign exchange loss	3,264	15,491
Net realized loss from the sale of venture investments	3,424,751	-
Net change in unrealized depreciation of venture investments	865,704	57,182,463
Increase in accounts receivable	(879)	(3,773)
Decrease in due to related parties	(264,191)	(11,030,423)
Decrease in deferred income tax liability	-	(623,937)
Decrease in current income taxes payable	-	(350,000)
Increase (decrease) in other accounts payable and accrued liabilities	8	(126,797)
	(5,202)	(439,029)
Proceeds on disposal of investments	756,642	39,158
Proceeds from divestments receivable	632,669	-
Interest received	28,689	104
Net cash provided by operating activities	1,412,798	(399,767)
Financing:		
Payments of dividends	(66,009)	(1,128)
Payments of redemption of shares	(46,170)	(1,614)
Net cash used in financing activities	(112,179)	(2,742)
Net increase (decrease) in cash during the period	1,300,619	(402,509)
Cash, beginning of period	3,701,497	4,355,991
Decrease due to exchange rate fluctuations on cash	(3,053)	(3,407)
Cash, end of period	\$ 4,999,063	\$ 3,950,075

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, 2023

VENTURE INVESTMENTS						
	Exercise Price	Expiry date	Issue Currency	Number of shares/units	Cost	Fair value
Publicly listed companies: (86.8%)						
Common shares: (86.8%)						
BuildDirect.com Technologies Inc.				36,014	\$ 338,761	\$ 6,483
Copperleaf Technologies Inc.				6,657,541	1,738,774	36,616,476
Natera Inc.				6,077	-	455,989
					2,077,535	37,078,948
Private unlisted companies: (18.6%)						
Common shares:						
1150818 B.C. Ltd.				33,746,116	4,425,949	
Bootup Labs (VCC) Inc.				20,000	200,000	
General Fusion Inc.				300,000	150,000	
Highline, Canada AcceleratorCo Inc.				26,690	-	
Methylation Sciences Inc.				1,500,000	1,500,731	
Preferred shares (various series):						
4300092 Canada Inc.				5,029,938	6,257,428	
Cooledge Lighting Inc.				2,110,661	1,816,694	
Envysion Holdings L.P.				3,890	385,816	
General Fusion Inc.				7,328,449	5,047,420	
Highline, Canada AcceleratorCo Inc.				26,690	61,838	
Methylation Sciences Inc.				1,436,498	1,268,029	
Switch Materials Inc.				2,749,185	3,868,312	
Warrants:						
ArborGen Inc.	0.001	2032-06-19	USD	1	-	
					24,982,217	7,939,140
Total Venture Investments (105.4%)					\$ 27,059,752	\$ 45,018,088
Cash (11.7%)						4,999,063
Other assets less liabilities (-17.1%)						(7,319,705)
Total Shareholders' Equity (100.0%)						\$ 42,697,446

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

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

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. As at March 31, 2023, PTF holds 98% of the Company, an increase of 1% as a result of transactions subsequent to May 28, 2021. 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

Three months ended March 31, 2023

2. Basis of preparation:

(a) Statement of compliance:

The annual financial statements of the Company are prepared under 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 26, 2023.

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

3. Significant accounting policies:

These financial statements follow the same accounting policies and methods of application as applied in the December 31, 2022 annual audited financial statements.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

4. Related party transactions:

(a) Management and performance fees:

(i) *Management fees*

In accordance with the Management Agreement dated May 28, 2021 ("Management Agreement"), the Manager charges a 2.5% all-in management fee. This fee is accrued but it is only paid when net 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, transaction costs 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, pro rata 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, 2023, the Company accrued management fees of \$333,455 (March 31, 2022 - \$898,410). The Manager agreed to waive \$244,537 (March 31, 2022- \$700,617) of the management fees, reducing the net management fee expense to \$88,918 (March 31, 2022- \$197,793).

(ii) *Performance fees*

The Management Agreement provides that following a reorganization of assets, such as the WOF Transaction, after 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. The Legacy Shareholders have received an amount equal to the Effective Date NAV and therefore the Manager is entitled to a performance fee calculated as 20% of the net divestment proceeds in excess of Effective Date NAV of Legacy Shares. During the three months ended March 31, 2023, the Company recorded a net reversal of previously accrued performance fees of \$354,024 (March 31, 2022 - \$11,274,941) due to a decrease in the unrealized appreciation of Copperleaf Technologies Inc. ("Copperleaf"). For the three months ended March 31, 2023 there were \$Nil payments of a crystallized performance fees (March 31, 2022 - \$Nil).

(b) Due to related parties

As at March 31, 2023, the Company had a net balance due to related parties of \$7,920,295 (December 31, 2022 - \$8,184,486), all of which is due to the Manager, comprising \$7,388,049 (December 31, 2022 - \$7,872,162) in respect of accrued performance fees payable arising from unrealized gains, \$266,431 (December 31, 2022 - \$136,343) in respect of accrued performance fees payable arising from realized gains, and \$265,815 in respect of management fees net of fees of directors paid by the Manager on behalf of the Company (December 31, 2022 offset by \$175,981 due from the Manager for management fees waived by the Manager net of operating expenses paid by the Manager on behalf of the Company).

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

4. Related party transactions (continued):

(c) Shareholdings:

As at March 31, 2023, the Manager, directors and officers of the Company held, directly or indirectly, less than 1% (December 31, 2022 – less than 1%) of the Company's Shares. PTF, a public company managed by the Manager, holds 98% of the Company's Venture Series – Legacy Shares and 100% of the Company's Commercialization Series – 05 Commercialization Shares. Please see Note 4(d) for additional details.

The aggregate direct investment by the Company's directors and officers in all investee companies do 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.

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, and 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.

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").

In 2021, the Company's divestment of two Portfolio Companies triggered a requirement under the share rights for the Company to redeem Legacy Shares. Accordingly, on October 13, 2021 the Company redeemed approximately 58.49% of the Legacy Shares on a pro rata basis at a redemption price of approximately \$6.4705 per share, with a total value of \$65,026,367. 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.

Because there was no letter of intent, term sheet or binding agreement for a divestment entered into after November 18, 2021 and before February 18, 2022, which was the final period during which an additional exit payment could have been triggered, the right to any additional cash payment ceased and the Exit Venture Shares were redeemed automatically effective May 20, 2022.

In June 2022, in accordance with the terms of the Transaction, 10,440 Legacy Shares that weren't held in eligible accounts were redeemed for a total payment of \$59,297. All shares were purchased by PTF, bringing its ownership of the Company to 98%.

On August 19, 2022 as provided by the Legacy Share rights, a portion of the Company's Legacy Shares were redeemed. The redemption was triggered by the full divestment of one portfolio company, the partial divestments of two portfolio companies and the partial receipt of escrow proceeds. Accordingly, the Company redeemed approximately 7.04% of the outstanding Legacy Shares on a pro rata basis at a redemption price of approximately \$8.2573 per share, with a total value of \$4,112,710. After the pro rata redemption, 6,579,039 Legacy Shares were outstanding.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

5. Share capital:

(a) Authorized share capital:

Under the WOF Transaction the Balanced Shares (series 2) were renamed “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. The right to any additional cash payment ceased effective February 18, 2022 and the Exit Venture Shares were redeemed automatically effective May 20, 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)

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

(b) Class A shares:

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 (“Retraction Price”). Shareholders of Legacy Shares, other than PTF, are entitled to redeem all or any part of such shareholder’s Legacy Shares at a price equal to the Retraction Price. The 2022 designated retraction period for redemption of Legacy Shares was from April 8, 2022 to June 6, 2022. On June 17, 2022, 54,368 Legacy Shares were redeemed under the annual limited redemption right, at 40% of the NAV per Legacy Share in effect on December 31, 2021 for total redemption proceeds of \$474,652.

Legacy Shareholders’ share rights provide for a share redemption in up to three possible 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, 2023, \$3,119,153 of cash was held in the Legacy Reserve (December 31, 2022 - \$3,119,153). Net divestment proceeds will be distributed by way of pro rata redemption of Legacy Shares at NAV per Legacy Share. Once net divestment proceeds are equal to the Effective Date NAV of the Legacy Shares that 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

Three months ended March 31, 2023

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, 2023:

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))	6,579,039	-	-	-	6,579,039
05 Commercialization Shares	1,002,555	-	-	-	1,002,555

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))	7,131,477	-	-	-	7,131,477
Exit Venture Shares	166,943	-	-	-	166,943
05 Commercialization Shares	1,002,555	-	-	-	1,002,555

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.

The Company has had 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.

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 these investment holdings by asset type.

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, a publicly listed portfolio company in the technology sector, a sector for which markets tend to be relatively volatile.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

7. Financial risk management (continued):

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 and global events.

The economic uncertainties around persistent inflation pressure, bank failures, geopolitical events and the lingering COVID-19 pandemic continue to impact the global economy. During the period the collapse of Silicon Valley Bank and Signature Bank led to an overall financial market decline especially in the banking sector. The Company does not have any direct exposure to the banks and is monitoring its portfolio value given the impact of the situation across the broader financial sector.

Future developments in these challenging areas could impact the Company's results and financial condition and the full extent of that impact remains unknown. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

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, 2023 is \$119,775 (December 31, 2022 - \$751,775).

(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 Legacy Shares are redeemable only as described in Note 5.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

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, 2023 and December 31, 2022 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, 2023 and December 31, 2022 was:

March 31, 2023			December 31, 2022		
US dollar exposure	% of shareholders' equity	Impact of a 5% change in the USD/CAD exchange rate on shareholders' equity (+/-)	US dollar exposure	% of shareholders' equity	Impact of a 5% change in the USD/CAD exchange rate on shareholders' equity (+/-)
\$ 8,395,130	19.66%	0.98%	\$ 11,826,779	25.32%	1.27%

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

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.

Notes to Financial Statements

Three months ended March 31, 2023

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, 2023 and December 31, 2022 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, 2023		December 31, 2022
Level 1:				
Publicly listed companies	\$	37,078,948	\$	39,529,128
Level 3:				
Private unlisted companies	\$	7,939,140	\$	10,536,057
Total	\$	45,018,088	\$	50,065,185

During the three months ended March 31, 2023, no portfolio companies were transferred from level 3 to level 1 of the fair value hierarchy. During the year ended December 31, 2022, D-Wave Quantum Inc. transferred from level 3 to level 1 of the fair value hierarchy upon becoming publicly traded.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

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 movements in the fair value of financial instruments categorized within Level 3 for the three months ended March 31, 2023 and the year ended December 31, 2022:

	March 31, 2023	December 31, 2022
Opening balance	\$ 10,536,057	\$ 9,843,120
Sales and Settlements (proceeds)	-	(39,159)
Change in unrealized (depreciation) appreciation	(2,596,917)	732,096
Ending balance	\$ 7,939,140	\$ 10,536,057

Included in the net change in unrealized appreciation (depreciation) in fair value of investments on the Company's Statements of Comprehensive Income for the three months ended March 31, 2023 is a change of (\$2,596,917) (December 31, 2022 – \$732,096) related to Level 3 investments.

(c) 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 taxation year-end of the Company is December 31. As at the end of the 2022 tax year-end, the Company has \$Nil capital losses (2021 - \$Nil) and \$55,881,350 of non-capital losses (2021 - \$53,797,637). Non-capital losses of \$53,797,637 carried forward from the change of control, which occurred with the WOF Transaction, 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. Non-capital losses of \$53,797,637 expire in 2041 and non-capital losses of \$2,083,713 expire in 2042.

As at March 31, 2023, the Company has a current tax liability of \$Nil (December 31, 2022 - \$Nil) and deferred income tax liability of \$Nil (December 31, 2022 - \$Nil). As at December 31, 2022 the Company has reflected the net benefit of current year's \$4,190,941 capital losses available for carryback, resulting in non-capital losses of \$484,310 available to be carried forward and a tax refund of previous taxes paid. As of March 31, 2023, the Company's income taxes receivable is \$546,626 (December 31, 2022 - \$546,626).

The potential future benefits arising from the Company's net deferred tax assets have not been recognized in these financial statements as their realization is unlikely as at March 31, 2023.

PENDER PRIVATE INVESTMENTS INC.

Notes to Financial Statements

Three months ended March 31, 2023

10. Series dividend policies:

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. Pursuant to the terms of the Transaction, all remaining 166,946 outstanding Exit Venture Shares were automatically redeemed on May 20, 2022 for no additional consideration.

11. Subsequent event:

On May 23, 2023, PTF and PPI signed a non-binding letter of intent for PTF to purchase all of PPI's Legacy Shares that are held by the 2% minority shareholders (the "Minority Shareholders"). It is proposed that PTF acquires the shares held by the Minority Shareholders under a plan of arrangement, at a price equal to 100% of the NAV in effect five business days before the execution of the definitive agreement (the "Purchase Price"). The Purchase Price will be recalculated five business days prior to the closing of the proposed transaction and will be adjusted up or down to a maximum of five percent based on the updated calculation. Completion of the proposed transaction remains subject to, among other things, the negotiation of a definitive agreement, approval of the PPI shareholders (including majority of the minority approval), receipt of a satisfactory Fairness Opinion and court approval.

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 11, 2023 ("Exercise Commencement Date") until June 10, 2023 (the "Exercise Deadline"). The redemption price for such Designated Retraction Period will be approximately \$2.82 per share, which is 40% of the NAV per Legacy Share in effect on December 31, 2022 ("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. Given the proposed transaction shareholders will be redeemed at the price which is the greater of the 2022 Retraction Price or the Purchase Price.

On April 21, 2023 as provided by the Legacy Share rights, a portion of the Company's Legacy Shares were redeemed. The redemption was triggered by the full divestment of one portfolio company, the partial divestments of two portfolio companies and the partial receipt of escrow proceeds. Accordingly, the Company redeemed approximately 2.43% of the outstanding Legacy Shares on a pro rata basis at a redemption price of approximately \$6.3865 per share, with a total value of \$1,023,100. After the pro rata redemption, 6,418,842 Legacy Shares were outstanding.