Unaudited Condensed Interim Financial Statements of

PENDER GROWTH FUND INC.

Three months and six months ended June 30, 2023

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

PenderFund Capital Management Ltd., the Manager of the Pender Growth Fund 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 GROWTH FUND INC.

Condensed Interim Statements of Financial Position (Unaudited)

	Notes		June 30, 2023		December 31, 2022
Assets					
Cash		$	2,659,321	$	1,552,667
Income taxes receivable	13		3,502,595		3,502,595
Due from related parties	5		3,317,809		3,023,368
Divestment proceeds receivable			74,906		1,916,139
Prepaid expenses			11,248		6,770
Interest receivable			-		162,932
Investments	4, 12		60,574,366		66,299,539
Total assets			70,140,245		76,464,010
Liabilities					
Interest payable			16,443		31,864
Share repurchase payable			5,774		13,186
Accounts payable and accrued liabilities			132,297		142,880
Deferred income tax liability	13		908,983		1,536,825
Loan payable	10		2,250,000		4,500,000
Total liabilities			3,313,497		6,224,755
Shareholders' equity					
Class C Common shares:					
Contributed capital	8		17,281,875		17,442,542
Retained earnings			49,544,873		52,796,713
Total Shareholders' Equity		$	66,826,748	$	70,239,255
Number of shares outstanding	8		7,547,129		7,569,929
Total shareholders' equity per share		$	8.85	$	9.28
Subsequent events	15				

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

Approved on behalf of the Board of Directors:

"David Barr" Director

"Kelly Edmison" Director

PENDER GROWTH FUND INC.

Condensed Interim Statements of Comprehensive Income (Unaudited)

	Notes	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue:					
Interest income (reversal)	6	$ 32,551	$ 750	$ (107,353)	$ 4,392
Foreign exchange (loss) gain		(3,424)	4,761	(5,173)	(8,819)
Changes in fair value of investments:					
Net realized gain (loss)		552,658	(3,021,127)	(474,738)	(6,818,928)
Net change in unrealized depreciation		(146,392)	(62,414,222)	(2,623,705)	(116,239,693)
Total revenue		435,393	(65,429,838)	(3,210,969)	(123,063,048)
Operating Expenses:					
Administration expenses		170,913	106,558	262,644	230,077
Management fees	5	161,398	212,661	330,796	452,725
Interest and financing expenses	10	60,962	68,768	146,042	358,313
Transaction costs		47,426	4,434	47,998	15,512
Audit and professional fees		30,035	4,131	69,545	95,840
Directors' fees		15,788	14,698	28,398	27,283
Legal fees		6,878	4,896	10,116	17,480
Custody and recordkeeping fees		3,827	7,459	8,084	15,800
Total operating expenses		497,227	423,605	903,623	1,213,030
Net operating loss		$ (61,834)	$ (65,853,443)	$ (4,114,592)	$ (124,276,078)
Other Items:					
Performance fees	5	217,336	(14,623,714)	(350,624)	(26,628,063)
Fees waived by the Manager	5	(54,334)	3,655,928	87,656	6,657,016
Net amount		163,002	(10,967,786)	(262,968)	(19,971,047)
Amount of Pender Private Investments Inc.'s ("PPI") performance fee earned by the Manager attributable to the Company's ownership of PPI shares	5	(302,634)	13,270,570	28,058	24,228,481
Total performance fee adjustment		(139,632)	2,302,784	(234,910)	4,257,434
Net income (loss) before income taxes (recovery)		$ 77,798	$ (68,156,227)	$ (3,879,682)	$ (128,533,512)
Income taxes (recovery)	13				
Current		-	(40,539)	-	(40,539)
Deferred		36,581	(9,594,231)	(627,842)	(18,149,811)
Total income taxes (recovery)		36,581	(9,634,770)	(627,842)	(18,190,350)
Net Income (loss)		$ 41,217	$ (58,521,457)	$ (3,251,840)	$ (110,343,162)
Net Income (loss), per share:					
Class C shares		$ 0.01	$ (7.71)	$ (0.43)	$ (14.52)
Weighted average number of non-redeemable Class C shares outstanding		7,550,579	7,588,204	7,558,872	7,597,615

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

PENDER GROWTH FUND INC.

Condensed Interim Statements of Changes in Equity (Unaudited)

Class C shares	Note	Six months ended June 30, 2023	Six months ended June 30, 2022
Balance, beginning of period		$ 70,239,255	$ 198,643,655
Net loss		(3,251,840)	(110,343,162)
Capital transactions	8(b)	(160,667)	(468,536)
Balance, end of period		$ 66,826,748	$ 87,831,957

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

PENDER GROWTH FUND INC.

Condensed Interim Statements of Cash Flows (Unaudited)

	Six months ended June 30, 2023	Six months ended June 30, 2022
Cash provided by (used in):		
Operating:		
Net loss	$ (3,251,840)	$ (110,343,162)
Adjustments for:		
Interest reversal (income)	107,353	(4,392)
Foreign exchange loss	5,173	8,819
Net realized loss on sales of investments	474,738	6,818,928
Net change in unrealized depreciation on investments	2,623,705	116,239,693
Increase in income taxes receivable	-	(109,413)
Increase in due from related parties	(294,441)	(1,022,008)
Decrease in divestment proceeds receivable	1,841,233	66,944
(Increase) decrease in prepaid expenses	(4,478)	12,629
Increase in receivable of investments purchased	-	(1,999,992)
Decrease in interest payable	(15,421)	(8,281)
Decrease in accounts payable and accrued liabilities	(10,583)	(54,509)
Decrease in deferred income tax liability	(627,842)	(18,149,811)
Decrease in income taxes payable	-	(3,031,126)
	847,597	(11,575,681)
Proceeds on disposal of investments	4,255,279	15,470,987
Purchase of investments	(1,614,987)	(13,018,483)
	2,640,292	2,452,504
Interest received	42,017	750
Net cash provided by (used in) operating activities	3,529,906	(9,422,427)
Financing:		
Repayment of loan payable	(2,250,000)	-
Repurchase of shares	(168,079)	(468,390)
Net cash provided by (used in) financing activities	(2,418,079)	(468,390)
Net increase (decrease) in cash during the period	1,111,827	(9,890,817)
Cash, beginning of period	1,552,667	10,008,858
Effect of exchange rate fluctuations on cash	(5,173)	(8,819)
Cash, end of period	$ 2,659,321	$ 109,222

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

PENDER GROWTH FUND INC.

Condensed Interim Schedule of Investment Portfolio (Unaudited)

As at June 30, 2023

	Exercise price/ Interest rate	Expiry date	Issue Currency	Number of shares/ Units/Face value		Cost		Fair value
Publicly listed companies: (15.0%)								
Common shares: (15.0%)								
BuildDirect.com Technologies Inc.				428,240		1,969,904		145,602
Copperleaf Technologies Inc.[1] ("Copperleaf")				232,342		673,792		1,324,349
GreenSpace Brands Inc.				69,193,248		3,845,233		-
Peloton Interactive, Inc.				102,875		4,983,561		1,048,021
Pinetree Capital Ltd.				13,730		53,375		53,547
ProntoForms Corporation				3,104,354		1,610,599		1,707,395
Quorum Information Technologies Inc.				1,683,100		1,461,268		1,178,170
Sangoma Technologies Corporation				289,843		5,525,295		1,443,418
Tantalus Systems Holding Inc.				523,751		279,556		408,526
Tiny Ltd.				203,676		1,000,174		759,711
Zillow Group, Inc.				29,090		2,156,221		1,936,869
						23,558,978		10,005,608
Warrants: (0.0%)								
BuildDirect.com Technologies Inc.	4.23	12/31/2030	USD	89,722		-		-
BuildDirect.com Technologies Inc.	6.90	08/13/2023	CAD	428,240		-		-
GreenSpace Brands Inc.	0.09	09/28/2023	CAD	612,300		-		-
						-		-
Loans (0.0%)								
GreenSpace Brands Inc.	12.00%	07/01/2023	CAD	1,031,177		800,000		-
						24,358,978		10,005,608
Private unlisted companies: (75.6%)								
Common shares/Units:								
Pender Private Investments Inc., Commercialization Shares[2] ("PPI")				1,002,555		508,096		
Pender Private Investments Inc., Legacy Shares[2] ("PPI')				6,295,604		17,542,595		
Pender Technology Inflection Fund II Limited Partnership[2] ("PTIF II")				-		1,746,406		
Preferred shares:								
Checkfront Bookings Inc., Series 2 (formerly "Checkfront, Inc.)				790		114,848		
Checkfront Bookings Inc., Series 3 (formerly "Checkfront, Inc.)				5,299		513,562		
Clarius Mobile Health Corp., Series A1				1,287,055		1,145,479		
Clarius Mobile Health Corp., Series A2				365,256		499,999		
DistillerSR Inc. (Formerly Evidence Partners Inc.)				51,295		1,999,992		
Jane Software Inc.				103,823		4,055,326		
Traction Complete Technologies Inc.				629,232		914,400		
Traction Rec Technologies Inc.				585,179		914,400		
						29,955,103		50,568,758
Less: Transaction costs included in cost of investments						(9,275)		
Total investments (90.6%)					$	54,304,806	$	60,574,366
Cash (4.0%)								2,659,321
Other assets less liabilities (5.4%)								3,593,061
Total Shareholders' Equity (100.0%)							$	**66,826,748**

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

[1]Copperleaf is the Company's largest single public company holding, representing 63.6% of the total portfolio, including both its direct holdings and its indirect holdings investment through its investment in Pender Private Investments Inc.

[2]Considering the make up of the portfolio including the underlying portfolio of our private holdings of PPI and PTIF II, two private investees that themselves hold securities of public and/or private companies, the proportions of the total portfolio made up by publicly listed companies and private unlisted companies were 78.0% and 22.0%, respectively.

1. Incorporation and nature of operations:

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

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

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

2. Basis of preparation:

(a) Statement of compliance:

The annual financial statements of the Company are prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards ("IAS") Board. These condensed interim financial statements ("financial statements") of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These financial statements should be read in conjunction with the audited annual financial statements.

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

These financial statements were authorized for issue by the Company's Board of Directors on August 23, 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, including derivatives. The determination of the fair value of these investments is the area with the Manager's most significant accounting judgements and estimates in preparing these financial statements.

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.

4. Purchase of Pender Private Investments Inc.

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

On the Effective Date of the WOF Transaction, the Company acquired 100% of WOF’s Commercialization Series shares for a total cash purchase price of $508,096 which was paid in full on closing and 97% of WOF’s Venture Series shares for a total cash purchase price of $25,316,232, 50% of which was paid on closing and 50% paid on November 25, 2021.

Under IFRS, the gain inherent in the difference between the purchase price paid by the Company and the fair value of the assets it acquired is treated as a deferred gain and contra asset under the investments reported in the Statements of Financial Position. On the effective date of the WOF Transaction, a $32,798,793 deferred gain was recorded by the Company. The deferred gain is being recognized to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the investment. For the six months ended June 30, 2023, the Company recognized $1,260,763 deferred gain (June 30, 2022 - $Nil). As at June 30, 2023, the total deferred gain recognized since 2021 was $28,915,371 (December 31, 2022, $27,654,608), the remaining balance as at June 30, 2023 was $3,883,422 (December 31, 2022 - $5,144,185).

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

Because no letter of intent, term sheet or binding agreement for a divestment was 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 purchased by the Company for a total payment of $59,297, bringing its ownership of PPI to 98%.

On August 19, 2022, as provided by the Legacy Share right, PPI redeemed approximately 7.04% of the outstanding Legacy Shares on a pro-rata basis at a redemption price of approximately $8.26 per share. The

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

Company received a total of $4,033,749 for the 488,507 of its Legacy Shares that were redeemed. On April 21, 2023, PPI redeemed approximately 2.4% of the outstanding Legacy Shares on a pro-rata basis at a redemption price of approximately $6.39 per share. The Company received a total of $1,003,457 for the 157,122 of its Legacy Shares that were redeemed.

As at June 30, 2023, the Company held 98% (December 31, 2022, 98%) of the outstanding Legacy Shares, or 6,295,604 Legacy Shares (December 31, 2022 - 6,452,726 Legacy shares).

On May 24, 2023, PTF and PPI entered into a non-binding letter of intent for PTF to acquire all Legacy Shares of PPI not currently owned by PTF (the “PPI Transaction”). On June 21, 2023, PTF and PPI entered into an arrangement agreement (“Arrangement Agreement of the PPI Transaction”) for PTF to acquire all of PPI’s Legacy Shares held by the 2% minority shareholders (the “Minority Shareholders”). The PPI Transaction would be completed pursuant to a statutory plan of arrangement (the “Plan of Arrangement of the PPI Transaction”) under the Business Corporations Act (British Columbia). The Arrangement Agreement for the PPI Transaction provided that PTF would acquire the minority Legacy Shares at a cash purchase price of $6.82 per Legacy Share (subject to adjustment), which is equal to 100% of the NAV of PPI’s portfolio as of six business days prior to the signing of the Arrangement Agreement. The NAV would be re-calculated five business days prior to the closing of the PPI Transaction with the purchase price subject to a maximum 5% adjustment based on that calculation, such that the minimum purchase price would be $6.48 and the maximum purchase price would be $7.16.

The board of directors of PPI formed a special committee to consider and evaluate the terms of the PPI Transaction. After receipt of an independent fairness option, the special committee determined that the PPI Transaction was fair from a financial point of view to the shareholders of the Legacy Shares other than PTF.

The completion of the PPI Transaction remained subject to the approval of the British Columbia Supreme Court and the approval of the Minority Shareholders by special resolution passed by two-thirds of the votes cast by Minority Shareholders present in person or represented by proxy at a special meeting of the Minority Shareholders called to consider the PPI Transaction on August 9, 2023. Please see Note 15 Subsequent event for additional information.

5. Related party transactions:

(a) Management and performance fees:

(i) Management fees:

In accordance with the Third Amended and Restated Management Agreement dated May 1, 2017, as amended March 7, 2019 (the “Management Agreement”), the Manager provides management services in connection with all aspects of the identification, investment, development, active monitoring and ultimate divestment of all investments of the Company. This Management Agreement was in effect until April 30, 2023 and was renewed automatically at that date for a four-year term, until April 30, 2027 unless a vote of shareholders determines otherwise.

5. Related party transactions (continued):

(a) Management and performance fees (continued)

(i) Management fees (continued)

In exchange for these management services, the Company pays a management fee. Effective May 2019, the management fee was set at 2.50% of the first $15,000,000 of the value of Net Assets and 1.75% of the value of Net Assets above $15,000,000.

The management fee is calculated and paid monthly. Net assets used in the management fee calculation exclude the value of the Company's investment in PPI, which is also managed by the Company's Manager. For the six months ended June 30, 2023, the management fees incurred by the Company were $330,796 (June 30, 2022 - $452,725).

(ii) Performance fees:

The Manager is entitled to a performance fee plus applicable taxes in certain circumstances, based on achieving performance criteria set out in the Management Agreement. The performance fee is calculated on an annual basis as 20% of any net increase in shareholders' equity above an annual hurdle rate of 6%. The performance fee is subject to a high water mark, being the year-end total shareholders' equity per share for the most recent preceding year in which a performance fee was earned. Subject to accumulation of the hurdle rate in years in which no performance fee is payable and the recalculation discussed in section (iii) below, the high water mark will not be reset other than to be adjusted in the event of a subdivision or consolidation of the shares. Performance fees are accrued during the year, where applicable. However, annual performance fees are calculated on the last valuation date of the year and are payable to the Manager each year upon publication of the Company's audited annual financial statements. For the six months ended June 30, 2023, the Company accrued 2023 performance fees of $Nil. (December 31, 2022 - $Nil).

(iii) Performance fees – 2021:

In 2021, the performance fee expense of $27,743,466 comprised $22,514,596 that arose from the net increase in unrealized appreciation of the Company's direct and indirect holdings of Copperleaf ("2021 Unrealized Performance Fee") and $5,228,870 that arose from net realized gains and this latter amount was paid to the Manager in April 2022.

The Manager, in its sole discretion, decided that the 2021 Unrealized Performance Fee would not be paid upon the publication of the Company's audited annual financial statements, instead it would be recalculated and the accrual and expenses adjusted accordingly, and quarterly payments would be triggered from time to time as gains are realized. The quarterly payments would be equal to the total recalculated performance fee arising from (1) the realized gain on the Company's direct holdings of Copperleaf and (2) the realized gain on the Company's indirect holdings of Copperleaf in excess of 20% of the Company's shareholders' equity at such time. After the Copperleaf holdings in excess of a 20% weighting are sold, the performance fee on the unrealized appreciation on the Company's remaining holdings of Copperleaf will be paid. The high water mark will be recalculated accordingly.

5. Related party transactions (continued):

(a) Management and performance fees (continued):

(iii) Performance fees – 2021 (continued)

As at June 30, 2023, the total performance fee payable in this respect was $3,705,359 (December 31, 2022 - $4,249,712), which comprised $103,352 arising from net realized gains on indirect holdings of PPI Portfolio Company, and $3,602,007 arising from the net unrealized appreciation of the Company's direct and indirect holdings of Copperleaf.

For the year ended December 31, 2022, the high water mark was $11.17 excluding unrealized gains on Copperleaf. As at June 30, 2023 the high water mark was adjusted to $11.28 reflecting net realized gains on Copperleaf during the period. As at June 30, 2023, the portion of the high water mark that relates to the net unrealized appreciation of the Company's direct and indirect holdings of Copperleaf was $3.00 (December 31, 2022 - $3.32).

During the six months ended June 30, 2023, due to a negative change in the unrealized appreciation of Copperleaf offsetting realized gains on indirect holdings of PPI Portfolio Companies', the Company recorded a reversal of previously accrued performance fees of $366,320, offsetting realized gain on indirect holdings of PPI Portfolio Companies $103,352, the net impact was $262,968 (June 30, 2022 – $19,971,047). The Company paid $281,385 to the Manager in January 2023.

The changes related to the June 30, 2023 performance fee accrual are outlined in the table below:

2021 performance fee

For the six months ended June 30, 2023	**Balance, beginning of period**	**Impact of Change in unrealized appreciation**	**Realized gain (unpaid)**	**Realized gain (paid)**	**Balance, end of period**
Performance fees	7,409,239	(2,231,385)	137,804	(375,180)	4,940,478
Fees waived by the Manager	(3,159,527)	1,865,065	(34,452)	93,795	(1,235,119)
Net amount	4,249,712	(366,320)	103,352	(281,385)	3,705,359

(iv) PPI Performance Fee:

In certain circumstances, the Manager also earns a performance fee by virtue of its management of PPI (the "PPI Performance Fee"). Because the Company currently holds 98% of PPI, the Manager in its sole discretion decided that it will pay the Company 98% of the PPI Performance Fee it receives. As at June 30, 2023, the Company had accrued a receivable from the Manager for this in the amount of $7,203,781 (December 31, 2022 - $7,480,711). This reflected a net $276,930 decrease in this receivable during the six months ended June 30, 2023, made up of $28,058 from the change in the unrealized appreciation of the Company's indirect holdings of PPI Portfolio Companies, and the payment of $248,872 received for performance fees earned by the Manager for PPI's net divestment proceeds received in April 2023.

(v) Performance fee summary:

For the six months ended June 30, 2023, the net impact of the adjustments (recovery) described in notes 5(a)(iii) and (iv) above was ($3,498,422) (December 31, 2022 – ($3,230,999)), as summarized in the table below:

5. Related party transactions (continued):

(a) Management and performance fees (continued):

(v) Performance fee summary (continued):

2021 total performance fee adjustment

For the six months ended June 30, 2023	**Balance, beginning of period**	**Impact of Changes**	**Paid/ payment received**	**Balance, end of period**
Net amount of performance fee	4,249,712	(262,968)	(281,385)	3,705,359
Amount due from Manager related to performance fees earned from PPI – Unrealized appreciation	(7,480,711)	28,058	248,872	(7,203,781)
Total performance fee adjustment	**(3,230,999)**	**(234,910)**	**(32,513)**	**(3,498,422)**

(b) Due from related parties:

As at June 30, 2023, the Company had a net balance due from related parties of $3,317,809 (December 31, 2022 – $3,023,368), all of which was due from the Manager. Of this amount, $3,885,972 was due to the Manager, including the 2021 performance fees of $3,705,359 described in note 5(a)(iii) and management fees and operating expenses of $180,613 paid by the Manager on behalf of the Company. This was offset by an amount of $7,203,781 due from the Manager (December 31, 2022 - $7,480,711) for PPI Performance Fees that the Manager agreed to pay to the Company, as described in note 5(a)(iv) above.

(c) Share holdings:

As at June 30, 2023, the Manager, directors and officers of the Company directly or indirectly held 11.6% (December 31, 2022 – 11.6%) of the Company's Class C Shares. The aggregate investment by the Company's directors and officers in all Portfolio Companies did not exceed 1.0% of the issued and outstanding shares of any Portfolio Company.

As previously noted, the Company holds 98% of the outstanding shares of PPI, an entity also managed by the Manager.

The Company has a commitment to invest $12,500,000 in PTIF II, a limited partnership managed by a related entity. As at June 30, 2023, the Company had invested $1,746,406 under the first capital call (13.97% of its total capital commitment) and the unfunded balance is $10,753,594. PTIF II invests in a concentrated portfolio of business to business and health-focused technology companies at their inflection point.

6. Securities lending transactions:

As at June 30, 2023 and December 31, 2022, the Company did not have any securities loaned and collateral received. There was no securities lending income earned for the six months ended June 30, 2023 and 2022.

7. Withholding tax expense:

Certain dividend income received by the Company is subject to withholding tax imposed in the country of origin. During the period, withholding tax rates were between 0% and 35% (2022 – between 0% and 35%).

8. Share capital:

(a) Authorized share capital:

As at June 30, 2023, the authorized capital of the Company consists of:

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

(ii) An unlimited number of Preferred Shares (“Preferred Shares”).

Class C Shares:

Class C Shares are not redeemable or convertible. Class C Shares are listed on the TSX Venture Exchange (“TSXV”) under the ticker symbol “PTF”. Each Class C Share is entitled to one vote in any vote on shareholder matters and is entitled to dividends at the discretion of the Board of Directors.

Preferred Shares:

The Preferred Shares were created on July 24, 2019. As at June 30, 2023 and December 31, 2022, no Preferred Shares have been issued. The special rights and restrictions of the Preferred Shares empower the Board to fix the number of shares in each series of each class of Preferred Shares and to fix the preferences, special rights and restrictions, privileges, conditions and limitations attaching to the shares of that series, before the issuance of shares of any particular series. The Board has the power to fix, among other things, the number of shares constituting any series, the voting powers, designation, preferences and relative participation, optional or other special rights and dividend rate, terms of redemption (including sinking fund provisions), redemption price or prices, conversion rights and liquidation preferences of the shares constituting any series. The issuance of Preferred Shares could affect the rights of the holders of Class C shares.

8. Share capital (continued):

(b) Issued and fully paid shares:

During the six months ended June 30, 2023 and 2022, the Company has issued and fully paid Class C shares outstanding as follows:

	Balance, Beginning of period	Shares issued	Shares repurchased	Balance, end of period
June 30, 2023				
Class C	7,569,929	-	(22,800)	7,547,129
June 30, 2022				
Class C	7,616,529	-	(33,500)	7,583,029

On February 14, 2023, the Company renewed its NCIB on the TSXV. Upon launch, the Company had 7,568,921 shares issued, of which 6,630,459 shares represented its public float. The Company is entitled to purchase up to a maximum of 663,045 shares, representing 10% of its public float, over the one-year period of this NCIB. The NCIB will continue until February 13, 2024, unless terminated earlier in accordance with its terms. The Company intends to continue to repurchase its shares under the NCIB where the shares are trading at a price that is less than what we see as their intrinsic value, in order to enhance shareholder value.

During the six months ended June 30, 2023, the Company bought back 22,800 shares under its NCIB for a total price of $160,667 (June 30, 2022 – 33,500 shares and $468,536).

(c) Equity capital:

The changes in shareholders' equity for the six months ended June 30, 2023 and 2022 are as follows:

	Share capital	Retained earnings	Total
Balance, January 1, 2023	$ 17,442,542	$ 52,796,713	$ 70,239,255
Net loss	-	(3,251,840)	(3,251,840)
Capital transactions	(160,667)	-	(160,667)
Balance, June 30, 2023	$ 17,281,875	$ 49,544,873	$ 66,826,748

8. Share capital (continued):

(c) Equity capital (continued):

	Share capital	Retained earnings	Total
Balance, January 1, 2022	$ 18,007,980	$ 180,635,675	$ 198,643,655
Net loss	-	(110,343,162)	(110,343,162)
Capital transactions	(468,536)	-	(468,536)
Balance, June 30, 2022	$ 17,539,444	$ 70,292,513	$ 87,831,957

9. Capital management:

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

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

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

10. Loan payable:

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

On March 31, 2022, the bank swept the $5,000,000 owing under this first tranche. Concurrently, the Company drew down $5,000,000 as a second tranche, which bears interest at the rate of Prime plus 2% for a minimum one year term. Starting from November 1, 2022, the Company was required to make monthly principal repayments of $250,000. The Term Loan matures on May 28, 2024. On April 19, 2023, the Company and the Bank agreed to amend the terms of the Credit Agreement. On May 1, 2023, the Company made a one-time principal repayment of $1,000,000. As at June 30, 2023, the balance owing under the Term Loan was $2,250,000.

11. Financial risk management:

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

The Company’s investment objective is to achieve long-term capital growth by investing in public and private companies. The Company maintains positions in a variety of financial instruments in accordance with its investment objectives and strategies. The Schedule of Investment Portfolio groups these investment holdings by asset type. The Company’s exposure to financial risk is concentrated in its investment holdings. The Manager manages the potential impact of these financial risks on the Company’s performance by employing and overseeing professional and experienced portfolio advisors who regularly monitor the Company’s positions and market events and diversify the investment portfolio within the constraints of the investment guidelines.

Investment results may be affected by future developments and new information that may emerge about inflation and the impact of central bank measures and geopolitical and other global events, factors that are beyond the Company’s control.

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.

11. Financial risk management (continued):

The Company's exposure to financial risks is concentrated in its investment holdings. The Company carries out part of its investment strategy by investing in related entities such as PPI and PTIF II. The financial risks associated with the Company's investment strategy are disclosed based on its direct holdings. The Manager's risk management practices include the monitoring of compliance with investment objectives and strategies. The Manager manages the potential effects of these financial risks on the Company's performance by regularly monitoring each position and market and global events and by diversifying investment portfolios within the constraints of the Company's investment objective.

(a) Credit risk:

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

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

The Company's maximum exposure to credit risk as at June 30, 2023 was $11,103,629 (December 31, 2022 - $14,025,031).

(b) Liquidity risk:

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

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

The following table summarizes the Company's financial liabilities as at June 30, 2023 and December 31, 2022, based on undiscounted contractual cash flows:

	June 30, 2023	December 31, 2022
Interest payable	$ 16,443	$ 31,864
Share repurchase payable	5,774	13,186
Accounts payable and accrued liabilities	132,297	142,880
Loan payable	2,250,000	4,500,000
Total	$ 2,404,514	$ 4,687,930

11. Financial risk management (continued):

(c) Market risk:

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

(i) Interest rate risk:

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

(ii) Currency risk:

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company invests primarily in Canadian securities. Accordingly, the Company is not subject to significant currency risk.

(iii) Other price risk:

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

As at June 30, 2023, if the fair value of the Company's publicly listed investments had increased or decreased by 10% with all other factors remaining constant, the Company's shareholders' equity would have increased or decreased by approximately $925,000 (December 31, 2022 - $1,164,000). Price sensitivity was determined based on portfolio-weighted beta. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

12. Fair value of financial instruments:

(a) Valuation models:

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

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

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

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

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

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

In determining fair value for these types of instruments the Manager considers: the history and nature of the business; operating results and financial conditions; the general economic, industry and market conditions; capital market and transaction market conditions; independent valuations of the business; contractual rights relating to the investment; comparable trading and transaction multiples, where applicable; and other pertinent considerations. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a decline in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and other developments since acquisition.

12. Fair value of financial instruments (continued):

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

The table below presents the fair value of financial instruments as at June 30, 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.

	June 30, 2023	December 31, 2022
Level 1:		
Publicly listed companies	$ 10,005,608	$ 9,727,864
Level 2:		
Publicly listed companies	-	-
Level 3:		
Publicly listed companies – loans	-	800,000
Private unlisted companies	50,568,758	55,771,675
Total Level 3	50,568,758	56,571,675
	$ 60,574,366	$ 66,299,539

During the six months ended June 30, 2023, Tiny Ltd. was transferred from level 3 to level 1 of the fair value hierarchy upon becoming publicly traded.

The following table shows a reconciliation of movements in the fair value of financial instruments categorized within Level 3 for the six months ended June 30, 2023 and December 31,2022:

	June 30, 2023	December 31, 2022
Opening balance	$ 56,571,675	$ 157,817,928
Amounts paid on purchase of investments	2,259,969	12,332,042
Sales and settlements of investments	(5,829,081)	(7,831,780)
Transfers between Level 1 and Level 3	-	-
Total loss recognized in comprehensive income	(2,433,805)	(105,746,515)
Ending balance	$ 50,568,758	$ 56,571,675

Included in the net change in unrealized depreciation in fair value of investments on the Statements of Comprehensive Income for the six months ended June 30, 2023 is a change in unrealized depreciation of $2,982,336 (December 31, 2022 – unrealized depreciation $104,036,114) related to Level 3 investments.

12. Fair value of financial instruments (continued):

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

The table below sets out information about significant unobservable inputs used at June 30, 2023 and December 31, 2022 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

June 30, 2023

Description	Fair value	Valuation technique	Unobservable input	Revenue multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	$11,103,629	Market approach	Revenue multiple	$11,103,629	The estimated fair value would increase if revenue multiple increased

December 31, 2022

Description	Fair value	Valuation technique	Unobservable input	Revenue multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	$7,317,168	Market approach	Revenue multiple	$ 7,317,168	The estimated fair value would increase if revenue multiple increased

Significant unobservable inputs are developed as follows:

(i) 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.

12. Fair value of financial instruments (continued):

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

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to alternative reasonably possible assumptions would have the following effects on shareholders' equity as at June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Favourable	$ 1,110,363	$ 731,717
Unfavourable	(1,110,363)	(731,717)

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

(e) Financial instruments not measured at fair value:

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

13. Income taxes:

The taxation year-end of the Company is December 31. As at the end of the 2022 tax year-end, the Company had non-capital losses of $6,243,996 (2021 - $Nil) and capital losses of $14,180,878 (2021 - $Nil) available for carryback to the 2021 tax year, including non-capital losses of $5,882,132 and capital losses of $14,180,878.

As of June 30, 2023, the Company's income taxes receivable balance was $3,502,595 (December 31, 2022 - $3,502,595). The remaining 2022 non-capital losses of $361,864 are available for carry forward to future years up to a maximum of 20 years.

As at June 30, 2023, the deferred income tax liability was $908,983 (December 31, 2022 - $1,536,825).

14. Involvement with subsidiaries and associates:

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

Entity	Nature and purpose	Interest held by the Company
Pender Private Investments Inc.	Private Equity Investments	Investment in common shares
Pender Technology Inflection Fund II Limited Partnership	Private Equity Investments	Investment in limited partnership

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

June 30, 2023 and December 31, 2022					
Name of Entity	Relationship	Principal place of business	Country of incorporation	Ownership interest	Voting rights
Pender Private Investments Inc.	Subsidiary	Canada	Canada	98% (2022 - 98%)	98% (2022 - 98%)
Pender Technology Inflection Fund II Limited Partnership	Partnership	Canada	Canada	25% (2022 – 25%)	N/A

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

15. Subsequent event:

On August 9, 2023, the PPI Transaction was approved by special resolution passed by two-thirds of the votes cast by Minority Shareholders present in person or represented by proxy at a special meeting of the Minority Shareholders that was called to consider the PPI Transaction. In accordance with the terms of the Plan of Arrangement of the PPI Transaction, the Net Asset Value of PPI's portfolio was recalculated on August 10, 2023 (being five business days prior to the effective date of the Transaction). On August 15, 2023, the PPI Transaction was approved by the British Columbia Supreme Court and the Company acquired the remaining 2% of PPI's Legacy shares for $6.94 per share for a total cash purchase price of approximately $855,490, with an effective date of August 17, 2023.