

Unaudited Condensed Interim Financial Statements of

PENDER GROWTH FUND INC.

Three months ended March 31, 2024

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	March 31, 2024	December 31, 2023
Assets			
Cash		\$ 43,266	\$ 1,102,966
Receivable for investments sold		262,925	-
Income taxes receivable		546,626	546,626
Divestment proceeds receivable		128,601	177,485
Interest receivable		33,562	21,507
Prepaid expenses		17,150	9,113
Investments	4, 5, 10	87,260,030	72,826,136
Total assets		88,292,160	74,683,833
Liabilities			
Share repurchase payable		68,963	25,708
Accounts payable and accrued liabilities		176,696	175,898
Due to related parties	5	6,080,593	4,596,049
Total liabilities		6,326,252	4,797,655
Shareholders' equity			
Class C Common shares:			
Contributed capital	7	15,876,740	16,059,937
Retained earnings		66,089,168	53,826,241
Total Shareholders' Equity		\$ 81,965,908	\$ 69,886,178
Number of shares outstanding	7	7,343,129	7,368,229
Total shareholders' equity per share		\$ 11.16	\$ 9.48

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

Approved on behalf of the Board of Directors:

"David Barr" Director

"Kelly Edmison" Director

PENDER GROWTH FUND INC.

Condensed Interim Statements of Comprehensive Income (Unaudited)

Notes	Three months ended March 31, 2024	Three months ended March 31, 2023
Revenue:		
Dividend income	\$ 4,873	\$ -
Interest income (reversal)	17,474	(139,904)
Foreign exchange loss	(431)	(1,749)
Changes in fair value of investments:		
Net realized loss	(921,179)	(1,027,396)
Net change in unrealized appreciation (depreciation)	14,987,855	(2,477,313)
Total revenue	14,088,592	(3,646,362)
Operating Expenses:		
Management fees	373,926	169,397
Administration expenses	87,787	91,730
Audit and professional fees	59,453	39,510
Transaction costs	28,454	572
Legal fees	26,180	3,238
Directors' fees	18,915	12,610
Custody and recordkeeping fees	6,124	4,258
Interest and financing expenses	-	85,080
Total operating expenses	600,839	406,395
Net operating income (loss) before performance fees	13,487,753	(4,052,757)
Other Items:		
Performance fees	1,633,102	(567,958)
Fees waived by the Manager	(408,276)	141,990
Net amount	1,224,826	(425,968)
Amount of Pender Private Investments Inc.'s ("PPI") performance fee earned by the Manager attributable to the Company's ownership of PPI shares	-	330,692
Total performance fees adjustment	1,224,826	(95,276)
Net income (loss) before income taxes recovery	12,262,927	(3,957,481)
Income taxes recovery		
Deferred	-	(664,423)
Total income taxes recovery	-	(664,423)
Net income (loss)	\$ 12,262,927	\$ (3,293,058)
Net income (loss), per share:		
Class C shares	\$ 1.67	\$ (0.44)
Weighted average number of non-redeemable Class C shares outstanding		
	7,358,954	7,565,854

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

PENDER GROWTH FUND INC.

Condensed Interim Statements of Changes in Equity (Unaudited)

Class C shares	Note	Three months ended March 31, 2024	Three months ended March 31, 2023
Balance, beginning of period		\$ 69,886,178	\$ 70,239,255
Net income (loss)	7(c)	12,262,927	(3,293,058)
Share repurchased	7(b)	(183,197)	(118,610)
Balance, end of period		\$ 81,965,908	\$ 66,827,587

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

PENDER GROWTH FUND INC.

Statements of Cash Flows

	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash provided by (used in):		
Operating:		
Net income (loss)	\$ 12,262,927	\$ (3,293,058)
Adjustments for:		
Dividend income	(4,873)	-
Interest (income) reversal	(17,474)	139,904
Foreign exchange loss	431	1,749
Net realized loss on sales of investments	921,179	1,027,396
Net change in unrealized (appreciation) depreciation on investments	(14,987,855)	2,477,313
Decrease in divestment proceeds receivable	48,884	1,916,139
Increase in prepaid expenses	(8,037)	(5,799)
Increase in due from related parties	-	(472,968)
Increase in accounts payable and accrued liabilities	798	29,503
Increase in due to related parties	1,484,544	-
Decrease in interest payable	-	(4,155)
Decrease in deferred income tax liability	-	(664,423)
	(299,476)	1,151,601
Proceeds on disposal of investments	1,931,364	2,383,797
Purchase of investments	(2,561,507)	(1,504,813)
	(630,143)	878,984
Dividend received	4,873	-
Interest received	5,419	18,781
Net cash provided by (used in) operating activities	(919,327)	2,049,366
Financing:		
Repayment of loan payable	-	(750,000)
Repurchase of shares	(139,942)	(110,716)
Net cash used in financing activities	(139,942)	(860,716)
Net decrease in cash during the period	(1,059,269)	1,188,650
Cash, beginning of period	1,102,966	1,552,667
Effect of exchange rate fluctuations on cash	(431)	(1,749)
Cash, end of period	\$ 43,266	\$ 2,739,568

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

PENDER GROWTH FUND INC.

Condensed Interim Schedule of Investment Portfolio (Unaudited)

As at March 31, 2024

	Exercise price/ Interest rate	Expiry date/ Maturity date	Issue Currency	Number of shares/units/ Face value (\$)	Cost	Fair value
Publicly listed companies: (85.8%)						
Common shares: (85.8%)						
Copperleaf Technologies Inc.			CAD	6,739,883	11,784,474	48,190,163
Dye & Durham Limited			CAD	250,100	2,055,545	3,931,572
Kraken Robotics Inc.			CAD	2,988,400	1,676,833	3,287,240
Peloton Interactive, Inc.			USD	102,875	4,983,561	597,112
Pinetree Capital Ltd.			CAD	127,030	505,995	722,801
Quorum Information Technologies Inc.			CAD	1,683,100	1,461,268	1,262,325
Sangoma Technologies Corporation			CAD	539,843	6,405,295	3,535,972
Tantalus Systems Holding Inc.			CAD	2,225,151	1,683,251	3,916,266
TrueContext Corporation			CAD	3,104,354	1,610,599	3,275,093
Zillow Group, Inc.			USD	25,190	1,867,144	1,664,429
					34,033,965	70,382,973
Warrants:						
BuildDirect.com Technologies Inc.	4.23	12/31/2030	USD	89,722	-	-
					34,033,965	70,382,973
Private unlisted companies: (20.6%)						
Common shares/Units:						
General Fusion Inc.			USD	300,000	99,858	
Pender Technology Inflection Fund II Limited Partnership			CAD	-	1,030,575	
Preferred shares:						
Catio, Inc.			USD	309,291	347,750	
Checkfront Bookings Inc., Series 2			CAD	790	114,848	
Checkfront Bookings Inc., Series 3			CAD	5,292	513,594	
Clarius Mobile Health Corp., Series A1			CAD	1,287,055	1,145,479	
Clarius Mobile Health Corp., Series A2			CAD	365,256	499,999	
DistillerSR Inc.			CAD	51,295	1,999,992	
General Fusion Inc.			USD	7,328,449	2,439,344	
Jane Software Inc.			CAD	105,083	4,118,326	
Traction Complete Technologies Inc.			CAD	629,232	914,400	
Traction Rec Technologies Inc.			CAD	585,179	914,400	
Convertible Loans:						
Clarius Mobile Health Corp.	10.00%	07/28/2025	CAD	500,000	500,000	
					14,638,565	16,877,057
Less: Transaction costs included in cost of investments					(43,133)	
Total investments (106.4%)					\$ 48,629,397	\$ 87,260,030
Cash (0.1%)						43,266
Other assets less liabilities (-6.5%)						(5,337,388)
Total Shareholders' Equity (100.0%)					\$	81,965,908

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

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

1. Incorporation and nature of operations:

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

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

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

2. Basis of preparation:

(a) Statement of compliance:

The annual financial statements of the Company are prepared under IFRS accounting 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.

These financial statements were authorized for issue by the Company’s Board of Directors on May 27, 2024.

(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, see note 10 for further discussion.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

3. Material accounting policy information:

These financial statements follow the same accounting policies and methods of application as applied in the December 31, 2023 annual audited financial statements.

4. Pender Private Investments Inc.

On May 28, 2021 (the "Effective Date"), the Company completed a transaction (the "WOF Transaction") to acquire issued and outstanding shares of the Working Opportunities Fund (EVCC) Ltd. ("WOF") 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 and 97% of WOF's Venture Series shares ("Legacy Shares") for a total cash purchase price of \$25,316,232. On December 31, 2023, the Company completed an amalgamation with PPI in accordance with a short form amalgamation application (the "Amalgamation") under the Business Corporations Act (British Columbia).

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 three months ended March 31, 2024, no deferred gain was recognized. As at March 31, 2024, the total of \$29,016,504 of the original deferred gain had been recognized and taken into income and the remaining balance was \$3,782,289 (December 31, 2023 - \$3,782,289).

5. Related party transactions:

(a) Management and performance fees:

(i) *Management fees:*

In accordance with the Fourth Amended and Restated Management Agreement dated December 31, 2023, (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. The terms of this Management Agreement provide that it shall remain in effect for an initial term ending on April 30, 2027 and shall be renewed automatically for a further term of four years unless a vote of shareholders determines otherwise. The Fourth Amended and Restated Management Agreement had no substantive changes, the amendment served to consolidate and incorporate all prior amendments into a unified document.

In exchange for these management services, the Company pays a management fee. Effective December 2023, 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. There were no changes to the management fee prior to December 2023.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

5. Related party transactions:

(a) Management and performance fees (continued):

(i) *Management fees (continued):*

The management fee is calculated and paid monthly. For the three months ended March 31, 2024, the management fees incurred by the Company were \$373,926 (March 31, 2023 - \$169,397).

(ii) *Performance fees:*

The Manager is entitled to a performance fee plus applicable taxes in certain circumstances, based on achieving the 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 and annual performance fees as calculated on the last valuation date of the year are payable to the Manager each year upon publication of the Company's audited annual financial statements for the year. The Company did not earn performance fees for the three months ended March 31, 2024 and 2023.

(iii) *Performance fees – 2021:*

In 2021, a performance fee was incurred, part of which arose from an unrealized gain on of the Company's holdings of Copperleaf ("2021 Unrealized Performance Fee"). Payment of this part of the performance fee was voluntarily deferred by the Manager. The remainder of the performance fee incurred that year which was paid to the Manager in April 2022.

The Manager voluntarily agreed that the payment of the 2021 Unrealized Performance Fee would be deferred until the underlying gains were realized, so it was not paid upon the publication of the Company's 2021 audited annual financial statements as it otherwise would have been. 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 the realized gain on the Company's holdings of Copperleaf while the weight of this holding exceeds 20% of the Company's shareholders' equity. When the Company's Copperleaf holdings are at or below a 20% weighting, the performance fee on the unrealized appreciation on those remaining holdings will be paid to the Manager. The high water mark will be recalculated accordingly.

As at March 31, 2024, the total performance fee payable in this respect was \$5,713,440 (December 31, 2023 - \$4,488,614) of which \$5,557,625 was uncrystallized and \$155,815 was crystallized.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

5. Related party transactions (continued):

(a) Management and performance fees (continued):

(iii) *Performance fees – 2021 (continued):*

During the three months ended March 31, 2024, the net performance fee increased by \$1,224,826. The components of the changes related to the 2021 Unrealized Performance Fee accrual for the three months ended March 31, 2024 and 2023 are outlined in the table below:

2021 Unrealized Performance Fee					
For the three months ended March 31, 2024	Balance, beginning of period	Impact of Change in unrealized appreciation	Realized gain (unpaid)	Realized gain (paid)	Balance, end of period
Performance fees	5,984,818	1,425,348	207,753	-	7,617,919
Fees waived by the Manager	(1,496,204)	(356,337)	(51,938)	-	(1,904,479)
Net amount	4,488,614	1,069,011	155,815	-	5,713,440

2021 Unrealized Performance Fee					
For the three months ended March 31, 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	(2,328,572)	17,656	(375,180)	4,723,143
Fees waived by the Manager	(3,159,527)	1,889,362	(4,414)	93,795	(1,180,784)
Net amount	4,249,712	(439,210)	13,242	(281,385)	3,542,359

As at March 31, 2024 the high water mark was \$11.32 (December 31, 2023 - \$11.26) reflecting net realized gains on Copperleaf during the three months. As at March 31, 2024, the portion of the high water mark that related to the net unrealized appreciation of the Company's holdings of Copperleaf was \$4.63 (December 31, 2023 - \$3.67).

(b) Due to related parties:

As at March 31, 2024, the Company had a balance due to related parties of \$6,080,593 (December 31, 2023 – \$4,596,049), including the 2021 Unrealized Performance Fee of \$5,713,440 described in note 5(a)(iii), \$5,557,625 of which was uncrystallized and \$155,815 of which was crystallized and is payable to the Manager. Also included in the due to related parties balance is \$158,693 for a performance fee that was payable by PPI to the Manager at the time of the Amalgamation, which was combined into the Company's books, and paid in May 2024 upon publication of the Company's audited annual financial statements, and operating expenses of \$208,460 paid by the Manager on behalf of the Company.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

5. Related party transactions (continued):

(c) Shareholdings:

As at March 31, 2024, the Manager, directors and officers of the Company held 13.5% (December 31, 2023 – 13.4%) of the Company's Class C Shares, directly or indirectly. 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.

(d) Investments:

The Company has a commitment to invest \$12,500,000 in PTIF II, a limited partnership managed by a related entity. As at March 31, 2024, the Company had invested \$1,030,575 (8.24% of its total capital commitment) and the unfunded balance is \$11,469,425. PTIF II invests in a concentrated portfolio of business to business and health-focused technology companies at their inflection point.

6. Withholding tax expense:

Certain dividend income received by the Company is subject to withholding tax imposed in the country of origin. During the three months, withholding tax rates were between 0% and 35% (2023 – between 0% and 35%).

7. Share capital:

(a) Authorized share capital:

As at March 31, 2024, 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 March 31, 2024 and December 31, 2023, 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.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

7. Share capital (continued):

(b) Issued and fully paid shares:

During the three months ended March 31, 2024 and 2023, the Company had Class C shares outstanding as follows:

	Balance, Beginning of period	Shares issued	Shares repurchased	Balance, end of period
March 31, 2024 Class C	7,368,229	-	(25,100)	7,343,129
March 31, 2023 Class C	7,569,929	-	(16,300)	7,553,629

Following the expiry of its Normal Course Issuer Bid ("NCIB") on February 13, 2023, the Company launched a new NCIB on the TSXV. Upon this launch, the Company had 7,568,921 shares issued, of which 6,630,459 shares represented its public float. The Company was 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 was continued in effect until February 13, 2024.

On February 15, 2024, the Company renewed its NCIB on the TSXV. At the time of this renewal, the Company had 7,362,121 shares issued, of which 6,301,883 shares represented its public float. The Company is entitled to purchase up to a maximum of 630,188 shares, representing 10% of its public float, over the one-year period of this NCIB. The NCIB will continue in effect until February 14, 2025.

During the three months ended March 31, 2024, the Company bought back 25,100 shares under its NCIB for a total price of \$183,197 (March 31, 2023 – 16,300 shares and \$118,610).

(c) Equity capital:

The changes in shareholders' equity for the three months ended March 31, 2024 and 2023 are as follows:

	Share capital	Retained earnings	Total
Balance, January 1, 2024	\$ 16,059,937	\$ 53,826,241	\$ 69,886,178
Net income	-	12,262,927	12,262,927
Shares repurchased	(183,197)	-	(183,197)
Balance, March 31, 2024	\$ 15,876,740	\$ 66,089,168	\$ 81,965,908

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

7. Share capital (continued):

(c) Equity capital (continued):

	Share capital	Retained earnings	Total
Balance, January 1, 2023	\$ 17,442,542	\$ 52,796,713	\$ 70,239,255
Net loss	-	(3,293,058)	(3,293,058)
Share repurchased	(118,610)	-	(118,610)
Balance, March 31, 2023	\$ 17,323,932	\$ 49,503,655	\$ 66,827,587

8. 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.

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.

9. 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.

The nature of the Company's investing activities exposes it to various risks, including but not limited to inflation and the impact of central bank measures on the economy, general economic factors, the state of securities' and M&A markets in North America and globally, interest and foreign exchange rates, changes in government regulations, unexpected judicial or regulatory proceedings, business competition, 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

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

9. Financial risk management (continued):

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.

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 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 March 31, 2024 was \$15,753,815 (December 31, 2023 - \$15,622,610).

(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.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

9. Financial risk management (continued):

(b) Liquidity risk (Continued):

The following table summarizes the Company's financial liabilities as at March 31, 2024 and December 31, 2023, based on undiscounted contractual cash flows.

March 31, 2024	Within 3 months	More than one year	Total
Share repurchase payable	68,963	-	68,963
Accounts payable and accrued liabilities	30,620	146,076	176,696
Due to related parties	366,878	5,713,715	6,080,593
Total	466,461	5,859,791	6,326,252

December 31, 2023	Within 3 months	More than one year	Total
Share repurchase payable	25,708	-	25,708
Accounts payable and accrued liabilities	175,898	-	175,898
Due to related parties	-	4,596,049	4,596,049
Total	201,606	4,596,049	4,797,655

(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.

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Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

9. Financial risk management (continued):

(c) Market risk (continued):

(ii) Currency risk:

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

(iii) Other price risk:

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

As at March 31, 2024, 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 \$9,109,000 (December 31, 2023 - \$5,551,000). 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.

10. 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

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Three months ended March 31, 2024

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

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, 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.

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

The table below presents the fair value of financial instruments as at March 31, 2024 and December 31, 2023 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, 2024	December 31, 2023
Level 1:		
Publicly listed companies	\$ 70,382,973	\$ 56,120,703
Level 3:		
Private unlisted companies	16,877,057	16,705,433
	\$ 87,260,030	\$ 72,826,136

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

10. Fair value of financial instruments (continued):

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

During the three months ended March 31, 2024, no transfers were made 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 three months ended March 31, 2024 and year ended December 31, 2023:

	March 31, 2024	December 31, 2023
Opening balance	\$ 16,705,433	\$ 56,571,675
Amounts paid on purchase of investments	32	1,932,052
Sales and settlements of investments	-	(5,128,268)
Transfers from Level 3 to Level 1	-	(35,247,772)
Total gain (loss) recognized in comprehensive income	171,592	(1,422,254)
Ending balance	\$ 16,877,057	\$ 16,705,433

Included in the net change in unrealized appreciation in fair value of investments on the Statements of Comprehensive Income for the three months ended March 31, 2024 is a change in unrealized appreciation of \$171,592 (December 31, 2023 – unrealized depreciation \$992,453) 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, 2024 and December 31, 2023 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

March 31, 2024					
Description	Fair value	Valuation technique	Unobservable input	Revenue multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	\$11,590,240	Market approach	Revenue multiple	3.0x – 10.0x	The estimated fair value would increase if revenue multiple increased

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

10. Fair value of financial instruments (continued):

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

December 31, 2023					
Description	Fair value	Valuation technique	Unobservable input	Revenue multiple	Sensitivity to change in significant unobservable input
Unlisted private investments	\$11,591,723	Market approach	Revenue multiple	3.0x - 12.0x	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.

(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 March 31, 2024 and 2023:

	March 31, 2024	December 31, 2023
Favourable	\$ 1,159,024	\$ 1,159,172
Unfavourable	(1,159,024)	(1,159,172)

The favourable and unfavourable effects of using alternative reasonably possible assumptions for the valuation of unlisted private investments have been calculated by recalibrating the model values using unobservable inputs based on ranges of possible estimates. The recalibrated model considers the impact of a 10% increase or decrease in unlisted private investments valued by revenue multiple.

(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.

PENDER GROWTH FUND INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

Three months ended March 31, 2024

11. Income taxes:

As at March 31, 2024, the Company had capital losses of \$10,003,524 (December 31, 2023 - \$9,055,209) and non-capital losses of \$58,693,827 (December 31, 2023 - \$58,095,220), \$53,797,637 of which are restricted non-capital losses that carried forward from the change of control of PPI that occurred upon the WOF Transaction and cannot be applied against capital gains or business investment income.

Capital losses are available to be carried forward indefinitely. Non-capital losses are available for carry forward to future years up to a maximum of 20 years. The Company's non-capital losses expire as follows:

Expiry year	
2026-2039	\$ 53,797,637
2040	452,334
2041	2,017,848
2042	1,827,401
2044	598,607
	\$ 58,693,827

No deferred tax assets have been recognized on the statement of financial position because the Company has concluded that it is not probable that the benefit of recognized deferred income tax assets will be realized prior to their expiry.

12. 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 Technology Inflection Fund II Limited Partnership	Private equity investment	Limited partnership interest

The tables below set out interests held by the Company in unconsolidated subsidiaries and associates for the three months ended March 31, 2024 and December 31, 2023. The maximum exposure to loss is the carrying amount of the financial assets held.

March 31, 2024					
Name of Entity	Relationship	Principal place of business	Country of incorporation	Ownership interest	Voting rights
Pender Technology Inflection Fund II Limited Partnership	Associate	Canada	Canada	15%	N/A

December 31, 2023					
Name of Entity	Relationship	Principal place of business	Country of incorporation	Ownership interest	Voting rights
Pender Technology Inflection Fund II Limited Partnership	Associate	Canada	Canada	15%	N/A

Furthermore, the subsidiary described in the table above is not subject to any restrictions.