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Pender Growth Fund Inc.
1640 – 1066 West Hastings Street
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Attention: Audit Committee

March 27, 2018

Dear Sirs/Mesdames:

Overview

PenderFund Capital Management Ltd. (the Manager) is the fund manager for Pender Growth Fund Inc. (the Fund). We understand that the Manager is required to report the net asset value (NAV) of the Fund to the Audit Committee on a semi-annual basis.

The principal assets of the Fund are a portfolio of publicly traded investments (the Publicly Listed Investments) and a portfolio of privately held venture investments (the Private Unlisted Investments). The fair value of the Publicly Listed Investments is referenced to the quoted closing prices on the applicable stock exchange, adjusted, as appropriate, for factors affecting their orderly disposition. The fair value of the Private Unlisted Investments is based on the Manager's estimate of fair value, pursuant to the valuation policies and procedures set out in the Fund's most recently amended Prospectus dated January 28, 2010 (the Prospectus).

You have asked KPMG LLP (KPMG) to perform an independent review to assess whether or not the fair value, as determined by the Manager, of the Publicly Listed Investments and the Private Unlisted Investments held by the Fund, is, in all material respects, reasonable as at December 31, 2017. This review is necessary to satisfy the Fund's annual filing requirements under National Instrument 81-106 – *Investment Fund Continuous Disclosure*.

All dollar amounts contained in this report are expressed in Canadian dollars unless otherwise stated.

Restrictions

This report is not intended for general circulation or publication and was prepared solely for the above purpose. Accordingly, this report is not to be used or reproduced for any other purpose without our prior written permission. We consent to the filing of this report with the securities regulatory authorities.

Valuation Policy and Procedures and Fair Value Definition

The determination of the fair value of the Publicly Listed Investments and the Private Unlisted Investments is referenced to valuation policies and procedures established by the Fund's Audit Committee and approved by the Fund's Board of Directors (the Valuation Policies and Procedures). The Valuation Policies and Procedures are set out in the Prospectus and include the following provisions, among others:

Publicly Listed Investments

- Publicly Listed Investments are valued on the basis of the quoted market closing price at period-end
- The value of the securities will generally not be discounted simply because they are illiquid, but may be discounted for factors affecting their orderly disposition.

Private Unlisted Investments

- The fair values of the Private Unlisted Investments are recorded at cost, unless an upward adjustment is considered appropriate and is supported by pervasive and objective evidence, such as a significant subsequent equity financing by an unrelated, sophisticated investor at a transaction price higher than the carrying value
- Downward adjustments to the carrying value are made 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 the Fund's acquisition
- The fair values of the investments are determined by the Manager using an appropriate valuation methodology after considering: 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 company trading and transaction multiples, where applicable; and other pertinent considerations.

For the purposes of our review and our commentary and conclusions herein, fair value is referenced to the Valuation Policies and Procedures. The Valuation Policies and Procedures are consistent with the general practice of other venture funds and venture capital corporations.

Due to the speculative nature of venture investments and inherent uncertainties in the valuation process, a notionally-determined fair value might differ from the price ultimately received for an investment, and such differences may be material. Further, a forced liquidation of the investments would likely result in realizable values materially different from the Manager's estimates of value.

Scope of Review

Our approach to assess the fair values attributed to the Publicly Listed Investments included:

- confirmation of the quoted market closing price used by the Manager to calculate the fair value of each Publicly Listed Investments
- discussion of any factors that could affect their orderly disposition, other than normal blockage/liquidity considerations.

Our approach to assess the fair values attributed to the Private Unlisted Investments included:

- review of the value memoranda prepared by the Manager for each Private Unlisted Investments
- discussions with the Manager regarding the individual and collective Private Unlisted Investments
- receipt and review of the private company support material and related financial information prepared and assembled by the Manager
- review of applicable documents relating to new and follow-on investments, including events that took place subsequent to December 31, 2017, where those events provide additional evidence of conditions that existed at December 31, 2017
- undertaking various analyses and procedures, as appropriate, to assess the reasonableness of the Manager's value conclusions.

Our review of this information consisted primarily of enquiry, analysis and discussions with management. Our review procedures pertaining to providing an independent review of the fair value attributed to the Publicly Listed Investments and the Private Unlisted Investments were not intended to:

- estimate the fair value of the Publicly Listed Investments or the Private Unlisted Investments

- obtain independent confirmation of ownership of the Publicly Listed Investments or the Private Unlisted Investments
- ensure the completeness of the assets and liabilities recognized by the Fund
- render an opinion on the reasonableness of the financial statements of the Manager, or the Fund.

We are independent of the Manager and the Fund and are acting objectively. We have no present or contemplated interest in the Manager or the Fund, nor are we an insider of the Manager or the Fund. Moreover, our fees for this engagement are not contingent upon our findings or any other event.

Assumptions

In preparing our Report, we have made the following assumptions:

- the financial and other information provided to us by management is accurate and complete
- all of the funding transactions the portfolio companies entered into in 2017 have been identified and disclosed to us
- there are no undisclosed significant events associated with any of the portfolio companies that would have a material effect on any entity in which an investment has been made or that would cause the performance of any entity to vary adversely from the Manager's expectations
- there has been no material change in any fact that would render the information obtained from the Manager to be untrue or misleading that could have, or that would reasonably be expected to have, a material effect on the fair value of the Publicly Listed Investments or the Private Unlisted Investments.

Management Representations

We have relied on the Manager to provide us with complete and accurate information. The valuation comments and conclusions noted herein are based on our review of that information and on our discussions with representatives of the Manager. We have not subjected the information provided to us to any audit or other third party verification procedures, other than to review it for reasonableness. We have not contacted portfolio companies to enquire about, or verify, information disclosed to us during our review. Accordingly, our reliance thereon is based on the Manager's representations as to its accuracy and completeness.

Prior to issuing this report in final form, a representative of the Fund confirmed certain representations and warranties made to us, including a general representation that they:

- have reviewed a copy of this report in draft form and have discussed it fully with us, to their satisfaction
- are satisfied with the definition of fair value as set out herein
- have no information or knowledge of any facts not disclosed in this report that could reasonably be expected to affect the conclusions noted herein.

Summary of Findings

Based on to the information and documents reviewed, the explanations provided to us and subject to the restrictions and assumptions noted herein, it is our opinion that the aggregate fair value of \$18,323,839 estimated as at December 31, 2017 represents a fair and reasonable estimate of the fair value, in all material respects, of the Publicly Listed Investments (\$2,357,573) and the Private Unlisted Investments as at December 31, 2017 (\$15,966,266).

Yours sincerely,



KPMG LLP
Vancouver, BC