

MANAGEMENT'S DISCUSSION & ANALYSIS

PENDER GROWTH FUND INC.

Year ended December 31, 2024

PENDER

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated April 3, 2025 presents a review of the audited financial results for Pender Growth Fund Inc. ("Pender" or the "Company") for the year ended December 31, 2024 and assesses factors that may affect future results. The financial condition and results of operations are analyzed and significant factors that affected Pender's statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows are discussed.

The MD&A is supplementary information and should be read in conjunction with Pender's audited financial statements and the notes thereto for the year ended December 31, 2024 (the "Annual Audited Financial Statements"). All amounts shown in this MD&A are presented in Canadian dollars unless otherwise specified.

The MD&A has been prepared by PenderFund Capital Management Ltd. (the "Manager"). The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, which is made up of four directors, a majority of whom are independent directors. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Additional information about Pender is available on the SEDAR+ website at www.sedarplus.ca.

Business Strategy

Pender is an investment entity that trades on the TSX Venture Exchange (the "TSXV"). Its objective is to provide its investors with long-term capital appreciation. Pender invests opportunistically in a concentrated portfolio of securities of both public and private companies (each a "Portfolio Company"). In its quest for long-term capital appreciation, the Manager thoroughly evaluates the long-term business prospects of each potential Portfolio Company and works to understand its current value as well as its value over the long-term investment horizon. This long-term focus is a primary factor in Pender's investment strategy, regardless of whether a Portfolio Company is publicly listed or private. Pender may also invest in special situations, for example, using available cash to take advantage of opportunities with attractive internal rates of return. Pender's strategy is to buy securities that it believes are mispriced and that have the potential to compound capital, either through the convergence from current market price to intrinsic value or through the growth of intrinsic value over time, or through a combination of both.

Pender's mandate provides it with the flexibility to invest in securities that it believes to have the highest potential risk-adjusted returns at the time of investment. It is important to note that Pender defines risk as a permanent loss of capital, which differs from volatility risk. This flexible mandate allows Pender to take advantage of market cycles and different security types that it believes may have the potential to benefit its shareholders. Market cycles can provide opportunity as, from time-to-time, different industries, company stages or security types may become out of favour and attractively priced. Pender may invest in both newly established and later-stage businesses across a wide array of industries and security types, depending on the opportunity. Common and preferred equities will make up the majority of Pender's investments, (whether direct investments or indirect investments through investment entities or limited partnership funds). The Company may also make smaller allocations to convertible debt, corporate debt or other securities.

Recent Developments

Investments

The investments in Pender Growth Fund continued to evolve during the fourth quarter. Following the completion of the sale of Copperleaf Technologies Inc. (“Copperleaf”) in the third quarter of 2024 and the resulting injection of \$70 million cash, management has continued to deploy that cash into new investments, as discussed in the Portfolio of Investments section of this MD&A. As part of these new investments, the Company closed the purchase of four private technology companies from Pluribus Technologies in October. The acquisition was made by Pender Software Holdings Ltd. (“PSH”) a new entity owned 86% by Pender, with the balance owned by Acorn Partners Inc. (“Acorn”) and its principals. Acorn (www.acorncappartners.com) was a Vancouver based company that invested in tech companies and provided advisory services to clients. In early 2025, Acorn was merged into PSH and the shares of PSH formerly held by the Acorn were transferred to its principals. The four software companies acquired are each cash flow positive. PSH left existing management in place to facilitate a focus on operational excellence with strategic support and access to capital managed by Pender and PSH. Ampere Chan, the founder and former CEO of Acorn is the CEO of PSH. Pender intends to use PSH as a vehicle for investing in additional software companies. We believe this new enterprise has great potential.

Public equity markets continued to perform well in the fourth quarter of 2024, capping a year of impressive results in Canada and around the world. The S&P/TSX Composite Index gained 3.8% in the quarter, while the S&P/TSX Small Cap Index added 0.7%. Markets in the US also fared well, with the S&P 500 Index (CAD) gaining 8.8% and the small cap Russell 2000 Index (CAD) advancing 6.6% in the quarter.

Equity markets proved once again to be resilient in the quarter, digesting the early weeks of the new Trump administration in the US and indications of a potential shifts in government policy. Providing broad support for equity markets and risk assets in general, were ongoing interest rate cuts from central banks. In the US, the Federal Reserve continued to cut interest rates during the quarter. This included a 25bp reduction in November, followed by another 25bp reduction in December to leave the Fed funds target rate set at 4.25% to 4.5% to end the year. These cuts followed an outsized 50bp cut in September as the Fed remained focused on stimulating growth in the face of weakening inflation. The trend of interest rates cuts continued in Canada, but at a more aggressive pace. The Bank of Canada accelerated their interest rates cuts in the quarter which included a 50bp reduction in October, followed by another 50bp reduction in December. This left the benchmark lending rate at 3.25% at year-end and highlighted the softening economic environment in Canada.

Canadian venture capital (“VC”) investment activity¹ has continued to improve through 2024. During the third quarter of 2024 the market saw nearly \$2.7 billion invested across 130 deals. This would bring us to a deal value of \$6.5 billion through the first three quarters of 2024, far exceeding the prior year, 2023, which had a total of \$7.2 billion in deal value. While overall deal value looks to be re-accelerating off 2023 lows, the number of deals has continued to drift lower. The US data painted a bleaker picture, with overall deal value slowing to near trough levels seen in 2023, while the number of deals completed fell to the lowest level in the last 5 years. These trends suggest that Venture Capital investment activity is still slow and normalizing to a new interest rate and financing environment.

As we monitor the trends, we will continue to work closely with our private Portfolio Companies. Our goal remains consistent, to grow and compound the intrinsic value of the companies we own in the portfolio, while continuing to optimize the businesses as market conditions evolve. The positive sentiment in public markets has so far continued, with equities and risk assets broadly performing well. With central banks continuing to ease monetary policy conditions providing continued support to risk assets, there is the

¹ Canadian Venture Capital & Private Equity Association: Q3 2024 Canadian Venture Capital Market Overview

potential of higher volatility ahead as valuations are elevated and with heightened uncertainty with a new Trump administration in the US. We will continue to apply our investment process to the companies we own to help ensure they are prepared to manage through a wide range of economic scenarios.

Normal Course Issuer Bid

On February 15, 2024, following the expiry of its Normal Course Issuer Bid (“NCIB”)², the Company renewed its NCIB on the TSXV. Upon renewal, the Company had 7,362,121 shares issued, of which 6,301,883 shares represented its public float. The Company was 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 continued in effect until February 14, 2025.

During the year ended December 31, 2024, the Company bought back 235,000 Class C Shares in the market under its NCIB, at an average price of \$9.68, for a total cost of \$2,278,263. From January 1, 2025 to the expiry of the NCIB on February 14, 2025, the Company did not repurchase additional Class C Shares. A total of 235,000 shares were repurchased under the NCIB in its one-year period at an average price of \$9.68.

On February 20, 2025, the Company renewed its NCIB on the TSXV. Upon launch, the Company had 7,132,221 shares issued, of which 5,873,421 shares represented its public float. The Company is entitled to purchase up to a maximum of 587,342 shares, representing 10% of its public float, over the one-year period of this NCIB. The NCIB will continue until February 19, 2026, 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.

Outlook

Our goal remains to invest in businesses with strong competitive advantages and growth potential and that are undervalued relative to our view of intrinsic value. At the same time, we target businesses with durability and balance sheet strength to weather a range of economic environments through our bottom up analysis. With the significant run up in equities over the last year that has pushed large cap equity valuations to multi year highs, we remain vigilant and prepared for increased volatility as we enter 2025. The general trend in inflation continues to moderate towards central bank target levels and expectations are for continued interest rates cuts, albeit at a more moderate pace. Potential headwinds could also include trade policies, particularly tariffs, which could weigh on corporate earnings, and fiscal challenges in developed economies as government deficit spending remains high. There is always the potential for volatility as market expectations shift after such a strong run in risk assets in the past few quarters. We will continue to monitor the macro backdrop and assess its impact on the Company and our Portfolio Companies.

For Venture Capital and private markets activity, we expect a continuation of weak market conditions, particularly at the later and growth stages. While the IPO market in Canada picked up in 2024 relative to a weak 2023, it has remained slow. The M&A environment is an indication of this trend, as buyers and sellers are still somewhat disconnected on company valuation. While these markets continue to find their equilibrium, we will continue to look for opportunities to deploy capital where it is scarce into fundamentally strong companies at attractive prices. We continue to evaluate the potential impact of current global events on each of our Portfolio Companies as part of an ongoing review within our investment process. In doing

² Further information about the NCIB that expired on February 13, 2024 is available in the Company’s MD&A reports for 2023, available on SEDAR+.

this analysis, we evaluate each Portfolio Company under various fundamental scenarios to better understand the key drivers of business value creation and their sensitivities in different market environments. We will remain diligent as more information continues to become available and as these companies continue to respond to the challenges and opportunities in the current market.

We are steadfast investors and continue to work closely with certain private Portfolio Companies with the aim of helping them grow their intrinsic value, while seeking an orderly realization of that value to achieve returns for our shareholders.

Portfolio of Investments

The completion of the sale of Copperleaf in the third quarter of 2024 and the resulting injection of \$70 million cash, substantially changed the Company's portfolio. At June 30, 2024, the Company's Net Assets were 95.7% publicly listed companies, 13.3% private unlisted companies and (-9.0%) cash and other assets net of liabilities. At September 30, 2024, Pender's Net Assets were 38% publicly listed companies, 12.5% private unlisted companies, and 49.5% cash and other assets net of liabilities. At December 31, 2024, Pender's Net Assets were 56.9% publicly listed companies, 31.1% private unlisted companies, and 12.0% cash and other assets net of liabilities.

Our portfolio of investments reflects the fact that we are long-term, high-conviction investors while we also try to take advantage of short-term "close-the-discount" opportunities where it makes sense to do so.

During the year ended December 31, 2024, we purchased new publicly listed companies, D2L Inc., kneat.com, inc., and Sylogist Ltd., and we added to our holdings of existing publicly listed companies, Dye & Durham Limited, Kraken Robotics Inc., Pinetree Capital Ltd., Tantalus Systems Holding Inc. and Sangoma Technologies Corporation. During the period, we also divested our common share holdings in BuildDirect.com Technologies Inc., Copperleaf, Peloton Interactive Inc., and TrueContext Corporation (formerly ProntoForms Corporation), and made partial divestments of our holdings in Zillow Group, Inc.. We also purchased three new private Portfolio Companies during the year.

As at December 31, 2024, our total Portfolio Company holdings represented 88.0% of Net Asset Value, a decrease of 16.2% from 104.2% as at December 31, 2023.

The table below presents the fair value of investments as at December 31, 2024 and 2023.

Investments	December 31, 2024	December 31, 2023
Total Investments	\$ 108,429,534	\$ 76,608,425
Less: Deferred gain	-	3,782,289
Net investments	\$ 108,429,534	\$ 72,826,136

During the year ended December 31, 2024, the \$3,782,289 remainder of the deferred gain, was recognized such that, as at December 31, 2024, the original deferred gain of \$32,798,793 had been fully recognized and the remaining balance was \$Nil (December 31, 2023 - \$3,782,289).

The significant trends and events for Pender's Portfolio Companies during the year ended December 31, 2024, are described in the following sections.

Private Unlisted Companies

Subsequent to the September 30, 2024 reporting date of the financial statements, the Company announced the acquisition of four technology companies from Pluribus Technologies, through the Company's 86% owned subsidiary, as disclosed in "Recent Developments" section.

Each of the four software companies acquired were cash flow positive and PSH left their existing management in place to facilitate a focus on operational excellence with strategic support and access to capital from Pender and PSH. PSH is intended to be a vehicle for investing in additional technology companies and we believe this new enterprise has great potential.

We continue to work with our private Portfolio Companies, with the ongoing aim to help them build their intrinsic value over the long-term and seek an orderly realization of that value to achieve returns for our shareholders.

Checkfront Bookings Inc. (formerly Checkfront, Inc., "Checkfront")

Checkfront develops cloud-based booking management applications and e-commerce platforms for tour providers, accommodation managers and rental businesses in Canada and internationally. The Checkfront platform helps businesses manage their inventories, centralize reservations and process payments. During 2024 the company is executing on integration strategies following a merger with Australian tour and activity booking software company, Rezdy, and European tour and activity booking software company, Regiondo. The companies expect that their combined forces will benefit their growth prospects and strategic position in the global booking software industry.

Clarius Mobile Health Corp.

Clarius Mobile Health Corp. ("Clarius") is developing and commercializing ultra-portable ultrasound scanners, with mobile applications and cloud solutions. The scanners connect wirelessly to off-the-shelf smartphones and tablets, based on Clarius' proprietary "ultrasound system-on-chip" technology. This novel technology efficiently utilizes technical resources on the chip, thus allowing high image quality to be maintained in a small form factor. Clarius has a strong position in the ultra-portable ultrasound market, with its scanners available in over 90 countries with thousands of devices sold to date. The company has surpassed the four million count to-date for high-definition scans, an indication of the emergence of the point-of-care ultrasound industry.

DistillerSR Inc. (formerly Evidence Partners Inc.)

DistillerSR Inc. ("DistillerSR") provides a workflow software solution to automate the data collection, screening and review process for organizations seeking regulatory approvals for healthcare products. DistillerSR has a diversified, global, blue-chip customer base that includes more than 300 medical device and pharmaceutical companies, contract research organizations, as well as universities, governments, and NGOs. Global research organizations, including 7 of the top 10 pharmaceutical and medical device companies, trust DistillerSR software to produce transparent, audit-ready, and regulatory-compliant literature reviews.

Jane Software Inc.

Jane Software Inc. ("Jane") is a software company with a platform that is modernizing practice management

software. Jane enables physiotherapists, mental health counsellors, chiropractors and other allied health practitioners to run their practices in a digital-first way through features such as online booking, charting, scheduling, secure video and billing. Tens of thousands of healthcare practices globally are running on Jane across more than 60 countries. Jane is profitable, product-led and growing, with 85% of customer growth from either customer referrals or word of mouth. The company has grown a team which is now over 400 employees.

Traction Complete Technologies Inc.

Traction Complete Technologies Inc. (“Traction Complete”) is a developer of a suite of revenue operations solutions to help manage data complexity. Its solutions automate data cleanup, account hierarchies, matching and routing, all of which enhance the native capabilities and functionality of Salesforce. Traction Complete empowers organizations like Asana, Cisco, and DocuSign to simplify, save time, and scale faster.

Traction Rec Technologies Inc.

Traction Rec Technologies Inc. (“Traction Rec”) is a recreation management software solution built to create meaningful and engaging connections between non-profit community centres and their members. Traction Rec has been recognized by Salesforce as Nonprofit Sales Partner of the Year and Independent Software Vendor (“ISV”) Partner of the Year.

Pender Technology Inflection Fund LP

Pender Technology Inflection Fund LP (“PTIF II”) is the second venture fund at Pender Ventures, with over \$100 million in commitments. Pender Ventures is a thesis-driven venture capital investor focused on B2B software and health tech startups at the inflection point between commercialization and scale. As hands-on, high-conviction investors, Pender Ventures’ diverse team leverages decades of experience to add operational and strategic value to its portfolio companies.

Publicly listed Companies

During the year ended December 31, 2024, we continued to be patient, fundamental investors with a focus on acquiring ownership stakes in companies at prices that are below our estimate of intrinsic value. In the following section we discuss those publicly listed investments that were key contributors to or detractors from the performance of our portfolio during the year ended December 31, 2024.

The key positive publicly listed contributors to the Company’s performance for this year were Copperleaf Technologies Inc. (TSX: CPLF) and Kraken Robotics Inc. (TSXV: PNG).

On the flip side, the portfolio saw some of its publicly listed holdings incur losses for the year ended December 31, 2024, with Sylogist Ltd. (TSX: SYZ) and Peloton Interactive Inc. (NASDAQ: PTON) being the key detractors.

Portfolio transactions during the period were made based on our stock selection process. In general, we increased weightings of individual stocks where we determined the price relative to our estimate of intrinsic value had increased, and decreased the weightings of companies that moved closer to our estimates of their intrinsic value or where we found better opportunities. We may liquidate our positions for various reasons, such as when share prices have reached our assessment of fair value, when an acquisition has occurred or where we have changed our investment thesis.

Portfolio Turnover

The Company's portfolio turnover was 68.4% during the year ended December 31, 2024 (December 31, 2023 – 5.5%). The portfolio turnover was higher primarily due to the Company having more capital to deploy as a result of the Copperleaf divestment. The portfolio turnover rate is calculated based on the lesser of purchases and proceeds of sales of securities during a period as a percentage of the average value of the Company's investments in that period. In general, lower turnover rates may result in lower trading costs.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

As long-term, high-conviction investors, our goal is to create long-term capital appreciation for our shareholders, continuing to build on the Class C Shares' 81.9% annualized return under IFRS Accounting Standards (IFRS) since inception to December 31, 2024.

At Pender, we quantify our investment results in terms of the growth in Net Assets or Net Assets per Share rather than the change in shareholders' equity or the change in our listed share price. The growth in Net Assets per Share over time is primarily a result of investment performance. Like many listed investment entities, our shares may trade at prices that may not be indicative of the underlying value of our Net Assets per Share. Further, the share price may change due to factors that are unrelated to our Net Assets per Share.

During the year ended December 31, 2024, the Company's total shareholders' equity increased by \$53,195,329 (76.1%), from \$69,886,178 at December 31, 2023 to \$123,081,507 as at December 31, 2024. This increase was a result of net income of \$55,473,592 in the year, primarily a result of positive investment performance, offset by \$2,278,263 of share repurchases made under the NCIB (described in the "Recent Developments" section of this MD&A).

During the year ended December 31, 2024, Net Assets per Share ranged from \$9.48 to \$17.25, while our closing price per share on the TSXV ranged from a low of \$6.20 to a high of \$11.25 per share, prices representing a discount to Net Assets per Share ranging from 5.59% to 37.06%.

Please refer to the "Financial Performance" and "Financial Condition" sections of this MD&A for additional details and to the "Past Performance" section of this MD&A for the performance of Class C Shares. The sectors in which the Company was invested as at December 31, 2024 are listed under the "Summary of Investment Portfolio" section of this MD&A.

QUARTERLY PERFORMANCE

During the fourth quarter of 2024, the Company had net income of \$14.8 million, primarily as a result of net realized and unrealized portfolio gains of \$16.0 million, offset by operating expenses and performance fees. These gains were primarily attributable to the positive change in market prices of publicly listed securities.

Quarterly investment performance was reflected in the Net Assets per Share as shown in the tables under the "Summary of Quarterly Results" section of this MD&A.

SELECTED FINANCIAL INFORMATION

The following tables present selected key financial information about the Company to provide an understanding of the Company's financial condition and financial performance as at December 31, 2024,

and for the three preceding financial years. This section should be read together with the Annual Audited Financial Statements.

Supplemental Data

	2024	2023	2022	2021
Net Assets (\$000s)	123,082	69,886	70,239	198,644
Class C Shares Outstanding	7,133,229	7,368,229	7,569,929	7,616,529
Net Assets per Share (\$)	17.25	9.48	9.28	26.08
Closing Market Price* (\$)	11.19	6.76	5.65	18.00
Total increase (decrease) from Operations per Share (\$)	7.61	0.14	(16.85)	19.90

*Market Price: Closing market price on the last trading day of the period as reported on the TSXV.

Financial Performance

	2024	2023	2022	2021
Net realized gain (loss)	\$ 65,534,285	\$ (8,948,170)	\$ (13,556,891)	\$ 52,499,738
Net change in unrealized (depreciation) appreciation	(950,491)	17,994,943	(125,989,078)	115,906,623
Foreign exchange gain (loss)	6,829	(1,481)	(2,225)	46,029
Dividend income	41,277	-	-	-
Interest income (reversal)	725,938	(15,124)	278,949	335,229
Total revenue	65,357,838	9,030,168	(139,269,245)	168,787,619
Management fees	1,923,608	887,713	814,101	987,960
Withholding taxes, GST/HST and transactions cost	149,114	210,510	37,749	662,650
Other expenses	623,692	687,116	1,221,450	988,976
Total operating expenses	2,696,414	1,785,339	2,073,300	2,639,586
Net operating income (loss) before performance fees	62,661,424	7,244,829	(141,342,545)	166,148,033
Other items:				
Performance fees	9,583,776	693,716	(24,353,179)	36,991,288
Performance fees waived by the Manager	(2,395,944)	(173,429)	6,088,295	(9,247,822)
Net amount	7,187,832	520,287	(18,264,884)	27,743,466
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	-	7,231,839	25,768,997	(36,236,726)
Total performance fees	7,187,832	7,752,126	7,504,113	(8,493,260)
Net income (loss) before income taxes recovery	55,473,592	(507,297)	(148,846,658)	174,641,293
Income taxes (recovery) expenses				
Current	-	-	(3,031,126)	3,031,126
Deferred	-	(1,536,825)	(17,976,570)	19,513,395
Total income taxes (recovery) expenses	-	(1,536,825)	(21,007,696)	22,544,521
Net income (loss)	\$ 55,473,592	\$ 1,029,528	\$ (127,838,962)	\$ 152,096,772
Management expense ratio before performance fee	2.65%	2.31%	1.90%	2.15%
Trading expense ratio	0.16%	0.31%	0.04%	0.72%

Financial performance for the year ended December 31, 2024

Highlights of the Portfolio Companies contributing to Pender's investment performance in the year ended December 31, 2024 are presented in the "Portfolio of Investments" section of this MD&A.

(a) Net realized gains and losses

Net realized gains and losses on investments are the result of the sale of Portfolio Companies. They are generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the year ended December 31, 2024, the net realized gain on investments was \$65,534,285 (December 31, 2023 – net realized loss \$8,948,170), primarily due to gains realized on the divestment of publicly listed securities, such as Copperleaf, offset by the loss on divestment of BuildDirect.com Technologies Inc. and Peloton Interactive Inc..

(b) Net change in unrealized gains and losses

The net change in unrealized gains and losses on investments is the result of changes in the value of Portfolio Companies held throughout the period and also as a result of unrealized gains or losses being reversed out of this category and classified as realized gains or losses upon the sale of Portfolio Companies. The net change in unrealized gains and losses is generally not comparable between periods because the investments that comprise the portfolio generally change each period.

During the year ended December 31, 2024, the Company's net change in unrealized gains and losses on investments reflected a net change in unrealized loss of \$950,491 (December 31, 2023 – net change in unrealized gain \$17,994,943), primarily due to the recognition of net negative changes in the values of certain private Portfolio Companies and the reclassification of the net gains on fully-divested companies, including Copperleaf, out of unrealized and into realized gains upon disposition, offset by increases in market prices of publicly listed securities Kraken Robotics Inc., Sangoma Technologies Corporation, D2L Inc., Dye & Durham Ltd. and Tantalus Systems Holding Inc..

(c) Foreign exchange gains and losses

Pender's financial statements are presented in Canadian dollars, so, to the extent that it holds US dollar-denominated assets and/or liabilities, it is exposed to fluctuations in currency exchange rates, which may result in foreign currency gains and/or losses. During the year ended December 31, 2024, the Company had a foreign exchange gain of \$6,829 (December 31, 2023 – foreign exchange loss \$1,481). The Manager believes that the level of the Company's US dollar-denominated assets does not warrant hedging the exposure to fluctuations in exchange rates at this time.

(d) Dividend and interest income

The Company may earn dividends and interest on its investments in securities and on its cash balances. The Company earned dividend and interest income of \$767,215 during the year ended December 31, 2024 (December 31, 2023 – interest reversal \$15,124). This was comprised primarily of accrued bank interest, quarterly dividend income from Dye & Durham Limited and Sylogist Ltd., and interest earned on notes and debentures from private Portfolio Companies.

(e) Management Fees

The Company pays the Manager a management fee, which is calculated as a percentage of Net Assets. The fee varies from period to period in proportion to the variance in the average balance of Net Assets used in the calculation of management fees.

Management fee expenses were \$1,923,608 for the year ended December 31, 2024, an increase of \$1,035,895 over the \$887,713 for the year ended December 31, 2023. This increase in fees was due to the increase of the value of the Net Assets, with the gains on dispositions and increase in market values described in sections (a) and (b) above. Another factor in the increase was that the value of the underlying assets of PPI are included in the NAV upon which management fees are based, since the Amalgamation referred to in the “Transactions between Related Parties” section of this MD&A. Prior to the Amalgamation, the manager received management fees directly from PPI, so the value of PPI was not included in the Company’s Net Assets when calculating management fees.

(f) Performance fees

The Manager is entitled to a performance fee in certain circumstances. The performance fee is calculated annually as 20% of any net increase in shareholders’ equity above a cumulative annual hurdle rate of 6%, subject to a high water mark. Performance fees are accrued during the year, and the total performance fee for the year as calculated on the last Valuation Date of the year, if any, and becomes payable upon the publication of the Company’s annual audited financial statements.

For the year ended December 31, 2024, the Company earned performance fees on the investment performance \$1,130,673 (2023 - \$Nil). The manager agreed to waive \$282,668 (2023 - \$Nil) of the performance fee it earned, reducing the net performance fee to \$848,005 (2023 - \$Nil), except for the 2021 Unrealized Performance Fee described in (f) (i) below.

A performance fee was earned in the year ended December 31, 2024 which reset the high water mark to \$17.35.

(f) (i) 2021 Unrealized Performance Fee

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 that part of the performance fee was voluntarily deferred by the Manager until underlying gains would be realized. Upon the sale of Copperleaf, the 2021 Unrealized Performance Fee was recalculated based on the realized gain, to be \$14,437,921. The Manager voluntarily waived \$3,609,480 of this performance fee and the net amount of \$10,828,441 (\$10,312,801 before GST) was paid to the Manager in September 2024. The high water mark was recalculated and reset accordingly.

During the year ended December 31, 2024, the 2021 Unrealized Performance Fee increased by \$8,453,103 (December 31, 2023 – 693,716). The Manager agreed to waive \$2,113,276 of this performance fee

(December 31, 2023 – 173,429), so the net increase of the 2021 Unrealized Performance Fee was \$6,339,827 (December 31, 2023 – 520,287).

(f) (ii) PPI Performance Fee

Prior to the Amalgamation with PPI described in the “Transactions between Related Parties” section of this MD&A, the Manager also earned a performance fee for managing PPI (the “PPI Performance Fee”). Before the PPI Transaction described in the “Transactions between Related Parties” section of this MD&A, PPI had accrued a liability for this performance fee. The Manager had agreed to pay the Company its prorata share of the PPI performance fee, which was reflected as a receivable from the Manager.

Concurrent with the PPI Transaction, all aspects of the PPI Performance Fee were cancelled: PPI reversed its liability for the PPI Performance Fee payable which, accordingly, increased its net asset value. At the same time, the Company’s reversal of its accrual for the PPI Performance Fee receivable offset the increase value of PPI, for a net effect on the Company’s net asset value of \$Nil. During the year ended December 31, 2024, the amount of the PPI performance fee earned by the Manager attributable to the Company’s ownership of PPI shares was \$Nil (December 31, 2023 – reversal \$7,231,839).

(f) (iii) Net impact from Uncrystallized Performance Fee

During the year ended December 31, 2024, the net impact of the above described in *(f) (i)* and *(f) (ii)*, was a total performance fee adjustment of \$6,339,827 (December 31, 2023 – \$7,752,126).

(g) Income taxes (recovery) expenses

During the year ended December 31, 2024, the Company’s income taxes expense was \$Nil (December 31, 2023 – deferred income tax recovery \$1,536,825).

As at December 31, 2024, the Company had capital losses of \$15,255,714 (December 31, 2023 - \$9,055,209) and non-capital losses of \$70,295,352 (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
2041	1,993,603
2042	1,805,106
2044	12,699,006
	<u>\$ 70,295,352</u>

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.

(h) Management Expense Ratio

The MER is an annualized percentage calculated by dividing the total MER Costs by the average Net Assets. This is the MER before performance fees. The MER for the year ended December 31, 2024 was 2.65%, which was 0.34% higher than the 2.31% MER during the year ended December 31, 2023, due to

increased operating expenses which exceeded the increase in the average value of Net Assets during the year.

The performance fees are excluded from MER Costs. During the year ended December 31, 2024, the performance fee expense of the Company was 7.50% of average Net Assets (December 31, 2023 – 0.76%)

(i) Trading Expense Ratio

The TER is an annualized percentage calculated by dividing the total of all commissions and other portfolio transaction costs by the average Net Assets during the year. The small number of Portfolio Companies and the long-term investment horizon of the Company have resulted in a TER that is relatively low. The TER for the year ended December 31, 2024 was 0.16% (December 31, 2023 – 0.31%) due to decreased transaction costs during the year.

Financial Highlights

Net Assets per Share (Note 1)	2024	2023	2022	2021
Net Assets per Share (beginning of year)	\$9.48	\$9.28	\$26.08	\$6.11
Increase (decrease) from operations:				
Total revenue	0.10	0.00	0.04	0.04
Total (expenses) recovery	(1.36)	(1.06)	1.50	(2.18)
Realized gains (losses)	9.00	(1.19)	(1.79)	6.87
Unrealized (losses) gains	(0.13)	2.39	(16.60)	15.17
Total increase (decrease) from operations	7.61	0.14	(16.85)	19.90
Net Assets per Share (end of year)	\$17.25	\$9.48	\$9.28	\$26.08
Ratios and Supplemental Data				
Total net asset value (\$000s)	\$123,082	\$69,886	\$70,239	\$198,644
Number of shares outstanding	7,133,229	7,368,229	7,569,929	7,616,529
Closing market price	\$11.19	\$6.76	\$5.65	\$18.00

Note 1 – Net assets per share is based on the number of shares outstanding at the relevant time. The increase (decrease) from operations per share is based on the weighted-average number of shares outstanding during the period. Therefore, the beginning of period net assets plus the increase (decrease) from operations shown above will not sum to the end of period net assets.

Financial Condition

	December 31, 2024		December 31, 2023	
Assets				
Cash	\$	15,104,780	\$	1,102,966
Interest receivable		261,006		21,507
Divestment proceeds receivable		111,811		177,485
Income taxes receivable		435,013		546,626
Prepaid expenses		21,224		9,113
Investments		108,429,534		72,826,136
Total assets		124,363,368		74,683,833
Liabilities				
Accounts payable and accrued liabilities		136,126		175,898
Share buyback tax payable		45,993		-
Due to related parties		1,099,742		4,596,049
Share repurchase payable		-		25,708
Total liabilities		1,281,861		4,797,655
Shareholders' equity	\$	123,081,507	\$	69,886,178

(a) Investments

As at December 31, 2024, Pender's total investments of \$108,429,534 were made up of \$70,168,839 of publicly listed companies plus \$38,260,695 of private unlisted companies.

The portfolio breakdown is 64.7% publicly listed company securities and 35.3% private company securities.

The total investments balance increased by \$35,603,398 from \$72,826,136 as at December 31, 2023 to \$108,429,534 as at December 31, 2024, primarily due to new purchases in both publicly listed securities and private Portfolio Companies, offset by the divestment of Copperleaf and partial divestment of existing securities.

In accordance with IFRS, the \$32,798,793 gain inherent in the difference between the price Pender paid for the shares of PPI and the net value of the underlying assets acquired was treated as a deferred gain and deducted from the value of investments reported in the financial statements. This deferred gain has been recognized and taken into income over time, to the extent applicable as a result of changes in factors that market participants would take into account when pricing the investment, such as a public listing of shares. During the year ended December 31, 2024, the remainder of that deferred gain, \$3,782,289, was recognized. As at December 31, 2024, the entire \$32,798,793 of the original deferred gain had been recognized and the remaining balance was \$Nil (December 31, 2023 - \$3,782,289).

(b) Cash

Pender holds cash balances to pay operating expenses and, from time to time, as a strategic asset class to invest in securities. Cash balances are monitored by the Manager on an ongoing basis. The \$15,104,780 cash balance as at December 31, 2024 was \$14,001,814 higher than the \$1,102,966 balance as at December 31, 2023. This increase was primarily a result of the divestment of Copperleaf, offset by purchases of new investments and the share repurchases made under the NCIB.

(c) Income taxes receivable

As at December 31, 2024 the income taxes receivable balance was \$435,013 (December 31, 2023 - \$546,626). The income taxes receivable balance was assumed upon the Amalgamation and consists of an income tax refund due to PPI (described in the "Transactions between Related Parties" section of this MD&A).

(d) Divestment proceeds receivable

As at December 31, 2024, the divestment proceeds receivable balance was \$111,811 (December 31, 2023 - \$177,485). It includes the escrow proceeds receivable assumed upon the Amalgamation.

(e) Interest receivable

As at December 31, 2024 the interest receivable balance was \$261,006 (December 31, 2023 - \$21,507) on notes and debentures of Private Portfolio Companies.

(f) Accounts payable and accrued expenses

The Company's accounts payable and accrued expenses balance represent amounts due to third parties for operating expenses. During the year ended December 31, 2024, this balance decreased by \$39,772 to \$136,126 (December 31, 2023 - \$175,898) in the normal course of business.

(g) Due to related parties

As at December 31, 2024, the Company had a balance due to related parties of \$1,099,742 in respect of management fees, performance fees and reimbursement of operating expenses paid on behalf of the

Company (December 31, 2023 – \$4,596,049 comprising \$4,488,614 for the 2021 unrealized Performance fees, \$158,693 for a performance fee that was payable by PPI to the Manager at the time of the Amalgamation and operating expenses recovery of \$51,258).

(h) Shareholders' equity

Shareholders' equity represents the equity in the Company owned by the holders of the 7,133,229 Class C common shares outstanding as at December 31, 2024 (December 31, 2023 - 7,368,229). The decrease of 235,000 Class C common shares during the year ended December 31, 2024 is the result of the shares repurchased under the NCIB.

Cash Flows

During the year December 31, 2024, Pender's cash balance increased by \$14,001,814 primarily due to divestment of Copperleaf, offset by purchases of new investments and the share repurchases made under the NCIB.

Shareholder Activity

During the year ended December 31, 2024, the Company repurchased 235,000 shares under the NCIB, reducing the number of the Company's outstanding shares from 7,368,229 at the prior year end to 7,133,229 as at December 31, 2024.

More information about the formation and history of the Company is available in its most recent Annual Information Form.

SUMMARY OF QUARTERLY RESULTS

The tables below show information about Pender's financial performance for the most recently completed eight quarters. In each quarter, the net income or loss is a result of realized and unrealized gains and losses on investments, dividend, interest and securities lending income and operating expenses. A comparison of the information presented from quarter to quarter does not necessarily indicate any meaningful pattern or correlation.

	2024 Q4	2024 Q3	2024 Q2	2024 Q1
Net realized gain (loss)	\$ 61,557	\$ 69,064,446	\$ (2,670,539)	\$ (921,179)
Net change in unrealized (depreciation) appreciation	15,975,102	(62,046,427)	30,132,979	14,987,855
Foreign exchange gain (loss)	8,698	(1,657)	219	(431)
Dividend income	17,102	14,058	5,244	4,873
Interest income	460,385	232,058	16,021	17,474
Total revenue	16,522,844	7,262,478	27,483,924	14,088,592
Management fees	582,091	523,228	444,363	373,926
Withholding taxes, GST/HST and transaction costs	70,223	44,779	5,658	28,454
Other expenses	161,185	125,531	138,518	198,459
Total operating expenses	813,499	693,538	588,539	600,839
Net operating income before performance fees	15,709,345	6,568,940	26,895,385	13,487,753
Other items:				
Performance fees	1,130,673	1,003,934	5,816,067	1,633,102
Performance fees waived by the Manager	(282,668)	(250,984)	(1,454,017)	(408,276)
Net amount	848,005	752,950	4,362,050	1,224,826
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	-	-	-	-
Total performance fees	848,005	752,950	4,362,050	1,224,826
Net income before income taxes recovery	14,861,340	5,815,990	22,533,335	12,262,927
Income taxes recovery				
Deferred	-	-	-	-
Total income taxes recovery	-	-	-	-
Net income	\$ 14,861,340	\$ 5,815,990	\$ 22,533,335	\$ 12,262,927
Net Assets per Share (beginning of period)	\$ 15.10	\$ 14.29	\$ 11.16	\$ 9.48
Net Assets per Share (end of period)	\$ 17.25	\$ 15.10	\$ 14.29	\$ 11.16

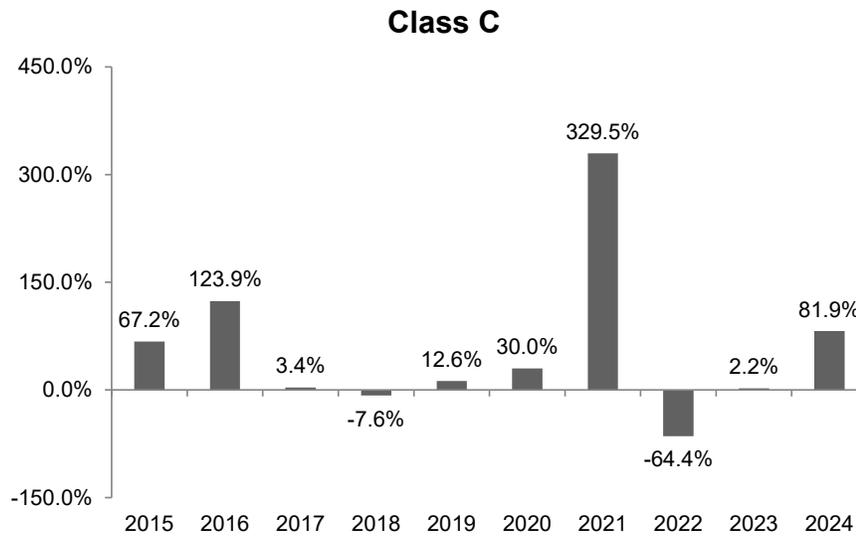
SUMMARY OF QUARTERLY RESULTS (CONTINUED)

	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Net realized (loss) gain	\$ (8,372,437)	\$ (100,995)	\$ 552,658	\$ (1,027,396)
Net change in unrealized gain (loss)	13,557,686	7,060,962	(146,392)	(2,477,313)
Foreign exchange (loss) gain	(147)	3,839	(3,424)	(1,749)
Interest income (reversal)	47,075	45,154	32,551	(139,904)
Total revenue	5,232,177	7,008,960	435,393	(3,646,362)
Management fees	337,507	219,410	161,398	169,397
Withholding taxes, GST/HST and transaction costs	(2,916)	165,425	47,426	572
Other expenses	(38,545)	200,833	288,403	236,426
Total operating expenses	296,046	585,668	497,227	406,395
Net operating income (loss)	4,936,131	6,423,292	(61,834)	(4,052,757)
Other items:				
Performance fees	743,679	300,661	217,336	(567,958)
Performance fees waived by the Manager	(185,920)	(75,165)	(54,334)	141,990
Net amount	557,759	225,496	163,002	(425,968)
Amount of PPI performance fee earned by the Manager attributable to the Company's ownership of PPI shares	-	7,203,782	(302,634)	330,692
Total performance fee adjustment	557,759	7,429,278	(139,632)	(95,276)
Net income (loss) before income taxes (recovery)	4,378,372	(1,005,986)	77,798	(3,957,481)
Income taxes (recovery)				
Current	-	-	-	-
Deferred	-	(908,983)	36,581	(664,423)
Total income taxes (recovery)	-	(908,983)	36,581	(664,423)
Net income (loss)	\$ 4,378,372	\$ (97,003)	\$ 41,217	\$ (3,293,058)
Net Assets per Share (beginning of period)	\$ 8.85	\$ 8.85	\$ 8.85	\$ 9.28
Net Assets per Share (end of period)	\$ 9.48	\$ 8.85	\$ 8.85	\$ 8.85

PAST PERFORMANCE

To illustrate how the Company’s performance has varied over time, the following bar chart shows performance for the year ended December 31, 2024 and for each of the previous years ended December 31. The bar charts show, in percentage terms, how much an investment made at the beginning of the period would have grown or decreased by the end of the period based on shareholders’ equity. The past performance of the Company does not necessarily indicate how it will perform in the future.

Past performance for Class C Shares of the Company is calculated based on its shareholders’ equity and is not based on its market price on the TSXV. The information presented for the years prior to 2018 relates to the period when the Company was subject to the Investment Funds Regime. Commencing December 31, 2018, the Company became subject to the Corporate Issuer Regime.



SUMMARY OF INVESTMENT PORTFOLIO

Pender's largest Portfolio Company holdings as at the end of the period and the major asset classes in which Pender was invested are indicated below. The investment portfolio may change due to ongoing portfolio transactions. Please also refer to the "Schedule of Investment Portfolio" in the Financial Statements.

Summary of Top 25 Holdings

	% OF NET ASSETS
Private unlisted companies*	31.1
Kraken Robotics Inc.	13.0
Dye & Durham Limited	9.0
Sangoma Technologies Corporation	8.5
D2L Inc.	7.4
Tantalus Systems Holding Inc.	4.1
kneat.com, inc.	3.9
Sylogist Ltd.	3.8
Pinetree Capital Ltd.	3.7
Zillow Group, Inc.	2.2
Quorum Information Technologies Inc.	1.3

Summary of Composition of the Portfolio

	% OF NET ASSETS
Information Technology	50.0
Software and Services	14.9
Health Care	10.6
Financial services	6.2
Technology Hardware and Equipment	4.1
Real Estate	2.2
TOTAL INVESTMENTS	88.0
Cash	12.3
Other assets less liabilities	(0.3)
TOTAL NET ASSETS	100.0

* The value of these companies is disclosed on an aggregate basis due to the nature of private, unlisted companies. Refer to the Financial Statements for more information. The names of these private Portfolio Companies are listed in the table below.

COMMON SHARES/UNITS

General Fusion Inc.
Pender Software Holdings Ltd
Pender Technology Inflection Fund II Limited Partnership

PREFERRED SHARES

Catio, Inc.
Checkfront Bookings Inc., Series 2
Checkfront Bookings Inc., Series 3
Clarius Mobile Health Corp., Series A1
Clarius Mobile Health Corp., Series A2
DistillerSR Inc.
Foxquilt Inc.
General Fusion Inc.
Jane Software Inc.
Traction Complete Technologies Inc.
Traction Rec Technologies Inc.
WELLSTAR Technologies Corp.

Convertible Loans:

Clarius Mobile Health Corp., 10%, 07/28/2025
Pender Software Holdings Ltd, 8%, on demand

DIVIDEND POLICY

The Company does not currently intend to pay regular dividends or other distributions but may do so if, as and when determined by the Board of Directors.

OUTSTANDING SHARE DATA

As at December 31, 2024 the Company had 7,133,229 Class C Shares outstanding.

TRANSACTIONS BETWEEN RELATED PARTIES

As at December 31, 2024, the Manager and directors and officers of the Company held 17.6% of the Company's Class C Shares, directly and/or indirectly. The aggregate investment by the Company's directors and officers in Portfolio Companies did not exceed 1.0% of any Portfolio Company's issued and outstanding shares.

In accordance with the Fourth Amended and Restated Management Agreement dated December 31, 2023, (the "Management Agreement"), Pender pays management fees and performance fees to the Manager for management and portfolio advisory services. The terms of this Management Agreement provide that it shall remain in effect for an initial term ending April 30, 2027 and shall be renewed automatically for a further term of four years unless a vote of shareholders determines otherwise.

The management fee paid to the Manager under the Management Agreement, is 2.50% on the first \$15,000,000 of the value of Net Assets and 1.75% on the value of Net Assets above \$15,000,000. The management fee is calculated and paid monthly. For the year ended December 31, 2024, the management fees incurred by the Company were \$1,923,608 (December 31, 2023 - \$887,713).

The Manager recovers from the Company certain operating expenses incurred by it on behalf of the Company.

Performance fees:

Pender also pays the Manager a performance fee in certain circumstances, based on achieving certain performance criteria. The performance fee is calculated as 20% of any net increase in the value of Pender's shareholders' equity above a cumulative annual hurdle rate of 6%. The performance fee is calculated on an annual basis and is subject to a high water mark, being the year-end value of Net Assets per Share for the most recent preceding year in which a performance fee was earned. Subject to the accumulation of the hurdle rate in years in which no performance fee is payable and the recalculation discussed in section below regarding 2021 performance fees, 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, and the total performance fee, if any, calculated on the last Valuation Date of the year is payable upon the publication of the Company's annual audited financial statements.

In 2021, the Manager voluntarily waived a portion of the performance fee it charged, reducing it from 20% to 15%. For the year ended December 31, 2024, the Company earned performance fees on the investment performance \$1,130,673 (2023 - \$Nil). The manager agreed to waive \$282,668 (2023 - \$Nil) of the performance fee it earned, reducing the net performance fee to \$848,005 (2023 - \$Nil), except from the 2021 Unrealized Performance Fee as discussed below.

A performance fee was earned in the year ended December 31, 2024 which reset the high water mark to \$17.35.

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 until the underlying gains would be realized.

Upon the sale of Copperleaf in 2024, the 2021 Unrealized Performance fee was recalculated, based on the realized gain, to be \$14,437,921. The Manager voluntarily waived \$3,609,480 of this performance fee and the net amount of \$10,828,441 (\$10,312,801 before GST) was paid to the Manager in September 2024. The high water mark was recalculated and reset accordingly. At December 31, 2024, the total performance fee payable in this respect was \$Nil (December 31, 2023 - \$4,488,614).

During the year ended December 31, 2024, the net performance fee expense including GST increased by \$6,339,827. The components of the changes related to the 2021 Unrealized Performance Fee accrual for the years ended December 31, 2024 and 2023 are outlined in the table below:

2021 Unrealized Performance Fee					
For the year ended December 31, 2024	Balance, beginning of year	Impact of Change in unrealized gain	Realized gain (unpaid)	Realized gain (paid)	Balance, end of year
Performance fees	5,984,818	8,453,103	-	(14,437,921)	-
Fees waived by the Manager	(1,496,204)	(2,113,276)	-	3,609,480	-
Net amount	4,488,614	6,339,827	-	(10,828,441)	-

Investments:

On May 28, 2021, the Company completed a transaction (the "WOF Transaction") to acquire the issued and outstanding shares of the Working Opportunities Fund (EVCC) Ltd. ("WOF"), an investment entity. The Company acquired 100% of WOF's Commercialization Series shares and over 97% of WOF's Venture Series shares ("Legacy Shares"), and WOF was renamed Pender Private Investments Inc. ("PPI"). On August 17, 2023, the Company acquired the remaining shares held by PPI's minority shareholders (the "PPI Transaction"). On December 31, 2023, the Company completed an amalgamation of PPI in accordance with a short form amalgamation application (the "Amalgamation") under the Business Corporations Act (British Columbia).

On December 16, 2022, the Company signed a subscription agreement for PTIF II, a related party by virtue of being managed by a wholly owned subsidiary of the Manager, that invests in a concentrated portfolio of business-to-business and health-focused technology companies at their inflection point, via Pender Carry II Limited Partnership.

In October 2024, the Company closed the purchase of four private technology companies from Pluribus Technologies. The acquisition was made by Pender Software Holdings Ltd. (or "PSH") a new entity owned 86% by the Company, with the balance owned by Acorn Partners Inc. ("Acorn") and its principals. Acorn (www.acorncappartners.com) is a Vancouver based company that invests in tech companies and provides advisory services to clients. In early 2025, Acorn was merged into PSH and the shares of PSH formerly held by the Acorn were transferred to its principals.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2024, the Company is in a stable liquidity position, with cash of \$15,104,780 comprising 12.3% of the value of its Net Assets, and investments in publicly traded securities of \$70,168,839 or 56.9% of the value of its Net Assets.

Should the future composition of its portfolio be weighted significantly more toward investments that could not readily be sold, the Company would need to secure credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

COMMITMENTS AND CONTINGENCIES

Pender may become liable for commitments and contingencies relating to litigation or claims in the normal course of business as a result of investing. The Manager is not aware of any commitments or contingencies, or any current or planned litigation or claims against it.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

RISK FACTORS

An investment in Pender is suitable for investors that have a high tolerance for risk and a long-term investment horizon.

Global Events and External Factors

The nature of the Company's investing activities exposes it to various risks, including but not limited to broad economic conditions, inflation, central bank measures, geopolitical risks, market risk, unexpected judicial or regulatory proceedings, as well as other external factors that are beyond the Company's control. Future developments in these areas could impact the Company's results with the full extent of that impact remaining unknown. Applying analytical judgement in developing estimates is complex and as a result, actual results may differ from those estimates and assumptions.

Investments

Historically, Pender's investment focus was on early-stage technology companies. The prospects for success of emerging technology companies are critically dependent on numerous factors that may be difficult to evaluate, especially when they have limited operating histories. Investments in emerging technology companies are inherently risky, and in the case of failed businesses, may result in the total loss of the capital invested by Pender in a Portfolio Company. The technology companies in which Pender invests will typically require additional capital, which Pender may not be able to provide, or which may not be available from other sources.

As at December 31, 2024, approximately 64.7% of Pender's portfolio was comprised of investments in public companies. Public company securities prices are influenced by particular companies' performance outlook, market activity and the larger economic picture. When the economy is expanding, the outlook for many companies will generally be good and the value of their stocks may rise. The opposite may also be true. Usually, the greater the potential reward, the greater the risk.

Where the size of the Company's holding of a particular security is large relative to the market, an orderly realization of value may be relatively difficult for the Company to achieve. Consequently, the sale of such investments may be subject to delay and may only be possible at substantial discounts.

For smaller companies, start-ups, resource companies and companies in emerging sectors, both the risks and potential rewards of investment may be greater than those of larger, more established companies. Likewise, the share prices of such companies may be more volatile than those of larger, more established companies. Further, the products and services offered by technology companies, for example, may become obsolete as science and technology advance. Certain convertible securities may also be subject to interest rate risk.

Private companies, by their nature, will generally lack liquidity and involve a longer-than-usual investment time horizon. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. As at December 31, 2024, private companies comprised 35.3% of Pender's investment portfolio. This includes Pender's investment in Pender Technology Inflection Fund II Limited Partnership ("PTIF II"), a limited partnership that invests in a concentrated portfolio of private business-to-business and health-focused technology companies at their inflection point. It may be relatively difficult for Pender to dispose of its investment in any private company rapidly at favourable prices due to weak M&A markets, adverse market developments or other factors. The sale of such investments may also be subject to delays and additional costs and may only be possible at substantial discounts. Losses are typically realized before gains, and Pender may be required to dispose of Portfolio Companies before any returns are realized.

Pender's investment in PTIF II has a minimum ten year term that, with the consent of the LP Advisory Committee, may be extended by up to two additional one-year periods. In the event that the Company does not provide the amount required to be contributed under a capital call, becomes a defaulting partner, and fails to remedy the default within 20 business days, it could forfeit its entire investment in PTIF II.

Pender faces competition from many other capital providers and there can be no assurance that suitable investments will be found. Despite the number of sources of private capital, financing for early-stage technology companies remains limited and is subject to pricing and terms that are based on the performance of the investee company and other factors, and what capital is available may be on terms unfavourable to the existing shareholders of these companies.

Other risks include the high proportion of technology company investments in the portfolio, industry concentration and the relatively small number of investments in the portfolio. There can be no assurance that the Company will be able to complete divestments of individual Portfolio Companies and/or complete an orderly realization of value, at current values or otherwise. Indirect investments in public and private securities are inherently subject to the risks and uncertainties described above for direct holdings. *Class C Shares*

The Company's Class C Shares are not redeemable. The Class C Shares trade on the TSXV under the ticker "PTF". An active trading market for the Class C Shares may not be available, which may significantly impact the liquidity of those shares. The Net Assets per Share of the Class C Shares fluctuates with the Net Assets per Share of the Company. Even if an active trading market for Class C Shares is available, the market price of such shares may not enable shareholders to dispose of their shares at a reasonable price relative to the Net Assets per Share of the shares.

The risks associated with an investment in Pender are more fully described in its most recent Annual

Information Form, under the heading “Risk Factors”. Reference should also be made to the “Caution Regarding Forward-Looking Statements” section.

CRITICAL ACCOUNTING ESTIMATES

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.

The Company may hold financial instruments that are not quoted in an active market, including derivatives. Currently, the Company holds common and preferred shares as well as convertible debt issued by its private Portfolio Companies. Details of these holdings are set forth in the “Summary of Investment Portfolio” section of this MD&A.

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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next reporting period is included in the Notes to the Financial Statements and relates to the determination of fair value of investments with significant unobservable inputs.

The Company uses widely recognized valuation models for determining the fair value of commonly held financial instruments that are publicly traded, such as debt and equity 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 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 is prone to changes 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 may be 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 instruments for which there is no public market available, the Manager considers: the history and nature of the business; operating results and financial conditions; 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. Adjustments to the carrying value of the investments may also be determined by the Manager when there is pervasive and objective evidence of a change in the value of the investment, as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and/or other developments since acquisition.

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 Portfolio Company by its revenue.

CHANGES IN ACCOUNTING POLICIES

The company has determined that there were no changes in accounting policy for the year ended December 31, 2024.

FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Company's financial statements.

The International Accounting Standards Board issued IFRS 18, "Presentation and Disclosure in Financial Statements" on April 9, 2024, which will replace IAS 1, "Presentation of Financial Statements". This new standard, effective for annual periods beginning on or after January 1, 2027, aims to improve financial statement comparability and transparency by introducing a more structured statement of comprehensive income. Key changes include new categories for income and expenses (operating, investing, and financing), defined subtotals like operating profit, and requirements for management-defined performance measures. It is anticipated the Company's classification of income and expenses, particularly within the operating category, will be impacted. The Company's net profit is not expected to change as a result of applying IFRS 18. The Manager is currently assessing the implications of IFRS 18 and its impact on the Company's financial statements and disclosures.

NON-IFRS MEASURES

The Company prepares and releases Annual Audited Financial Statements in accordance with IFRS Accounting Standards (IFRS). In this MD&A, we complement those IFRS disclosures with a number of the key indicators that we use to evaluate the performance and condition of our business. These supplementary key performance indicators include Net Assets, Net Assets per Share, Management Expense Ratio and Trading Expense Ratio. These are not recognized under IFRS nor do they have a standard meaning prescribed by IFRS. We present them to enhance the reader's ability to evaluate the Company. They may not be directly comparable to similar measures used by other companies and readers are cautioned not to view the non-IFRS measures as alternatives to IFRS measures.

Net Assets

The Company uses two financial measures that are individually recognized under IFRS, assets and liabilities, to calculate Net Assets, which is a non-IFRS measure. The calculation of Net Assets as at December 31, 2024 and December 31, 2023 is presented in the following table:

Net Assets	December 31, 2024	December 31, 2023
Assets	\$ 124,363,368	\$ 74,683,833
LESS: Liabilities	1,281,861	4,797,655
EQUALS Net Assets	\$ 123,081,507	\$ 69,886,178

Net Assets per Share

The Company uses three financial measures that are individually recognized under IFRS, assets, liabilities and number of shares outstanding, to calculate Net Assets per Share, which is a non-IFRS measure. The Company reports net asset value (“NAV”) per share monthly. The calculation of Net Assets per Share, as at December 31, 2024 and December 31, 2023 is presented in the following table:

Net Assets per Share	December 31, 2024	December 31, 2023
Assets	\$ 124,363,368	\$ 74,683,833
LESS: Liabilities	1,281,861	4,797,655
EQUALS Net Assets	\$ 123,081,507	\$ 69,886,178
DIVIDED BY Number of Shares Outstanding	7,133,229	7,368,229
EQUALS Net Assets per Share	\$ 17.25	\$ 9.48

Management Expense Ratio

The Company uses Management Expense Ratio (“MER”), a non-IFRS measure, to represent the total amount of operating expenses, including management fees, sales taxes and interest but excluding performance fees, net of fees waived and/or expenses absorbed by the Manager, contingent payments, corporate taxes, commission and other portfolio transaction costs (together, the “MER Costs”) that is borne by the Class C shareholders. The MER is an annualized percentage calculated by dividing total MER Costs by the average Net Assets.

Trading Expense Ratio

The Company uses Trading Expense Ratio (“TER”), a non-IFRS measure, to represent the total amount of commissions and other portfolio transaction costs (the “TER Costs”) borne by the Class C shareholders. The TER is an annualized percentage calculated by dividing total TER Costs by the average Net Assets.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking statements about the Company, including its strategy, prospects and further actions. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, or negative versions thereof and similar expressions.

In addition, any statement made concerning future performance, strategies, prospects or potential and

possible future Company action is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Company and external factors including economic factors, among other things. Forward-looking statements in this MD&A include, without limitation: statements with respect to the future performance of the Company and the companies in which it invests (each a “Portfolio Company”); geopolitical events, general economic conditions, political and market factors around the world; interest rates and inflation; fiscal and monetary policy; global equity and capital markets; business competition; technological change; changes in government regulations; unexpected judicial or regulatory proceedings. concentration of the investment portfolio, future economic and market conditions, including mergers and acquisitions (“M&A”) and initial public offering (“IPO”) market conditions, future orderly realization of value and/or transactions involving its existing Portfolio Companies (including public listing or third-party acquisitions of such Portfolio Companies) or potential future Portfolio Companies or other future transactions, achieving returns for shareholders; the Company’s investment approach, objectives and strategies, including its focus on specific sectors; the structuring of its investments and its expectations regarding the performance of certain sectors.

Forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied in any forward-looking statements. While the Manager considers its expectations, assumptions and projections to be reasonable based on information currently available to it, no assurance can be given that its beliefs and assumptions will prove to be correct. Any number of important factors could contribute to these differences, including but not limited the risks related to inflation, the impact of central bank measures on the economy, the state of M&A markets, geopolitical and other global events; the risks of investing in private and publicly traded securities; the risks inherent in a concentrated portfolio, the risk inherent in large holdings relative to the size of the market for those holdings; risks related to the technology sector, including early-stage companies, industry concentration and the high proportion of companies from this sector in the portfolio; the ability of the Company to source additional investments; the risk inherent in small companies, startups, resource companies and companies in emerging sectors; the ability to dispose of investments in public or private Portfolio Companies rapidly or at favourable prices; and the risk inherent in investing in a fund with a lock up period that may be 10 years or longer, and for which a failure to make a capital call may result in the forfeiture of the entire investment; the availability of an active trading market for the Company’s Class C Shares.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, except as may be required under applicable law, the Manager has no specific intention of updating any forward-looking statements, whether as a result of new information or future events, or otherwise, prior to the release of the next MD&A.



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