



Pinetree Capital Corp. Management's Discussion and Analysis

For the nine months ended September 30, 2003:

Nature of the Business

Pinetree Capital Corp. ("Pinetree" or the "Company") was incorporated under the laws of the Province of Ontario and is publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "PNP". Pinetree's principal business is to fund emerging growth businesses with breakthrough proprietary products. Pinetree's interests are primarily in companies with application and platform software technologies, telecommunications and fibre optics technologies, and biomedical technologies. Pinetree also takes advantage of special situations, merchant banking opportunities, and makes investments in a variety of sectors. With cash which has not been committed to long term investments, the Company trades in marketable securities with the objective of achieving gains thereon.

Results of Operations

Management has prepared the consolidated interim financial statements of the Company in accordance with Canadian generally accepted accounting principles for interim financial reporting. Accordingly, they do not include all of the information and notes required by Canadian generally accepted accounting principles for annual financial statements. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future periods.

For the nine months ended September 30, 2003, the Company generated realized net losses on disposal of investments of \$1,018,485 compared to net gains for the same period in 2002 of \$1,182,059. The net losses in the current period arose primarily from losses on sales of the Company's investments in Lumenon Innovative Lightwave Technology Inc. and NSI Global Inc., offset by a gain on the sale of some of the Company's holdings in Enghouse Systems Limited and a number of smaller gains on sales of marketable securities, primarily in the mineral resource sector. The net gains in the prior period arose primarily on the exchange of SoftQuad Software, Ltd. ("SoftQuad") common shares for Corel Corporation common shares, when Corel acquired SoftQuad in a share-for-share exchange, and the subsequent disposal of those Corel shares.

The Company had reversals of previously recorded unrealized net losses of \$1,226,566 versus reversals of net gains of \$2,137,560 in the same period in the prior year. These reversals arise when investments are sold in the current period on which the Company previously recorded unrealized net losses or gains.

In the nine months ended September 30, 2003, Pinetree recorded unrealized net gains on investments of \$4,914,780 versus unrealized net losses of \$7,163,262 in the same period last

year. The improvement is due primarily to increased market values during the nine month period in Enghouse Systems Limited and Genevest Inc. of \$3,030,000 and \$1,805,866 respectively.

Interest and dividend income totalled \$16,516 in the nine months ended September 30, 2003 compared to \$79,222 in 2002 while other income increased slightly from the prior year, from \$162,952 to \$177,721 in the current period. The decrease in interest and dividend income arose primarily because the Company has written off the amount owing from Solomon Technologies Inc. and is no longer recording the interest income on the debt.

Operating, general and administrative expenses in the period decreased by 15%, from \$991,870 in the nine months ended September 30, 2002 to \$837,335 in the current period. The decrease in the current period is due to the Company's ongoing efforts to reduce operating costs.

The Company experienced an unrealized foreign exchange gain of \$837,681 on its US dollar denominated net liabilities versus a foreign exchange gain of \$23,832 in the nine months ended September 30, 2002. The large gain arose due to the significant improvement through the period in the value of the Canadian versus the U.S. dollar, reducing the Canadian dollar value of U.S. dollar advances from an affiliated company and amounts due to brokers. Interest expense decreased slightly to \$319,627 from \$330,048 for the same period in 2002.

Net income for the nine months was \$4,938,270 (\$0.54 per share), arising primarily from net unrealized gains on investments and reversal of previously unrealized losses on disposal of investments. For the same period in the prior year, net loss after taxes was \$9,240,907 (\$0.99 per share), primarily from net unrealized losses on investments.

Investments

During the nine months ended September 30, 2003, the Company did not make any new strategic investments. However, Pinetree did make a number of new investments in, and dispositions of, marketable securities of a variety of mineral resource companies yielding net realized gains of approximately \$590,000.

The Company sold a small portion of its holding in Enghouse Systems Limited for a net gain of approximately \$380,000 and disposed of the remainder of its holdings of Lumenon Innovative Lightwave Technology Inc. and NSI Global Inc. for a realized loss of approximately \$490,000 and \$1,530,000 respectively.

Through its wholly own subsidiary, Pinetree (Barbados) Inc., the Company invested US\$260,000 in Fiber Optics Systems Technology Inc. through secured series "A" convertible debentures due on July 1, 2006. The convertible debenture pays 10% per annum in stock, based on US\$3.05 per share and each convertible common share includes a common purchase warrant exercisable at US\$3.35 per share, expiring on July 1, 2008.

Liquidity and Capital Resources

As at September 30, 2003, the fair value of Pinetree's portfolio increased to \$22,209,384 from \$18,206,529 at the end of fiscal 2002 due primarily to fair value adjustments of its holdings in Enghouse Systems Limited and Genevest Inc. Cash and cash equivalents stood at \$120,646 on September 30, 2003 as compared to cash and cash equivalents on hand on December 31, 2002 of \$236,106, a decrease of \$115,460. Advances from affiliated companies decreased by \$2,065,659, from \$6,626,047 at December 31, 2002 to \$4,560,388 at September 30, 2003. The decrease was due to significant repayments of amounts owing, and to a reduction in the Canadian dollar equivalent of U.S. dollar amounts owing because of the strengthening of the Canadian dollar. Amounts due to brokers increased by \$1,264,706 in the same time period, reflecting the Company's increased trading activity.

The Company continues to have no long-term debt; however, the Company made a lease commitment for its premises starting June 1, 2001 for annual payments of approximately \$243,000 (\$20,290 monthly) until May 31, 2007.

In fiscal 2002, the Company established a normal course issuer bid (the "2002 NCIB") to purchase up to 470,000 of its common shares. The 2002 NCIB ran from May 16, 2002 to May 15, 2003. Purchase and payment for the common shares were made by the Company in accordance with TSX requirements. On June 27, 2003, the Company cancelled 312,000 common shares at an average acquisition price of \$0.68 per share pursuant to the 2002 NCIB.

During the period, the Company established a new normal course issuer bid (the "2003 NCIB") to purchase up to 455,000 of its common shares. The 2003 NCIB commenced on May 26, 2003 and will end no later than May 25, 2004. Purchase and payment for the common shares will be made in accordance with the TSX requirements. As at September 30, 2003, pursuant to the 2003 NCIB, the Company had purchased 149,500 common shares of the Company at \$0.80 per share.

Pinetree handles in-bound investor relations inquiries internally.

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis contains forward-looking statements which are subject to risks and uncertainties and other factors that may cause Pinetree's results to differ materially from expectations. When reviewing the Company's forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. These include risks relating to market fluctuations, investee performance, strength of the Canadian and US economy, foreign exchange fluctuations and other risks. These forward-looking statements speak only as of the date hereof. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update these forward-looking statements.