



Pinetree Capital Ltd. Management's Discussion and Analysis

For the Quarter Ended: September 30, 2005

Date of Report: November 10, 2005

Nature of the Business and Overview

Pinetree Capital Ltd. ("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 develops and manages a portfolio of equity securities of private and public issuers engaged in growth businesses in the following three sectors: (i) Mining and Oil & Gas; (ii) Biotechnology; and (iii) Technology and Other. Pinetree's investment focus among these three sectors changes over time, depending on changing investment opportunities. As well, Pinetree takes advantage of special situations and merchant banking opportunities.

On June 1, 2004, Pinetree had acquired Genevest Inc. ("Genevest") by amalgamating Genevest with Pinetree's wholly owned subsidiary, 981268 Alberta Ltd. The consolidated financial statements of the consolidated entity are issued under the same name of the legal parent, Pinetree, but are considered a continuation of the financial statements of the legal subsidiary, Genevest. The acquisition was accounted for as a reverse takeover in accordance with the accounting requirements of Emerging Issues Committee Abstract #10 ("EIC #10") of the Canadian Institute of Chartered Accountants' Handbook, as the shareholders of Genevest became controlling shareholders of Pinetree after the transaction. Under this form of purchase accounting, Genevest is deemed to have acquired Pinetree.

The accompanying consolidated financial statements of operations include the operating results of the combined Company for the three and nine months ended September 30, 2005, and only the Genevest operating results for the five months ended May 31, 2004 and the combined Company for the period June 1, 2004 to September 31, 2004 as a comparative.

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. The Company does have an ongoing obligation to disclose material information as it becomes available.

Critical Accounting Estimates

Management has prepared the consolidated financial statements and this Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2005, after giving effect to the reverse takeover of Pinetree by Genevest Inc. ("Genevest") and the related transactions on the basis described in note 3 of the Notes to the audited consolidated financial statements for the year ended December 31, 2004.

This MD&A of the financial condition and results of operations should be read in conjunction with Pinetree' audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2004;

The Company has not adopted any new accounting policies for the current fiscal year. For accounting policies, refer to note 2 of the Notes to the audited consolidated financial statements for the year ended December 31, 2004.

Results of Operations

Financial Highlights for the period ending September 30, 2005 with comparatives:

Operating Results (unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
Realized gains on disposal of investments, net	\$ 3,843,609	\$ 81,507	\$ 11,140,468	\$ 12,717,429
Unrealized gains (losses) on investments, net	25,341,528	1,347,393	21,813,393	(26,861,926)
Net investment gains (losses)	29,185,137	1,428,900	32,953,861	(14,144,497)
Income (loss) before extraordinary gain	22,802,285	19,963	25,610,717	(11,197,396)
Net income (loss) for the period	22,802,285	191,161	25,610,717	(10,442,484)
Basic earnings (loss) per common share - before extraordinary gain	1.64	0.00	1.85	(0.99)
Basic earnings (loss) per common share – net income (loss)	1.64	0.01	1.85	(0.92)
Diluted earnings (loss) per common share - before extraordinary gain	1.50	0.00	1.74	(0.99)
Diluted earnings (loss) per common share – net income (loss)	1.50	0.01	1.74	(0.92)

Three months ended September 30, 2005:

For the three months ended September 30, 2005, the Company generated a realized net gain on disposal of investments of \$3,843,609 compared to a net gain on disposal of investments of \$81,507 in Q3 of 2004. During the period, \$2,511,992 of the realized net gain was attributable to the sale of marketable securities as compared to \$81,507 for the same period last year. During the period, \$1,331,617 of the realized net gain was attributable to the sale of long term investments as compared to nil in the same period in the prior year.

The Company also had net unrealized gains on investments of \$25,341,528 for the three months ended September 30, 2005, compared to net unrealized gains on investments of \$1,347,393 for the same period last year. Of the net unrealized gains in Q3 of 2005, \$1,858,473 was from the reversal of unrealized net gains on the disposal of investments and \$27,200,001 was due to the write up to market on the Company's investments. Of the unrealized net gains in Q3 of 2004, \$180,149 was from the reversal of unrealized net gains on the disposal of investments and \$1,527,542 was due to the write up to market on the Company's investments.

The Company had a net investment gain of \$29,185,137 compared to a net investment gain of \$1,428,900 in Q3 of 2004. The net investment gain in the current year was due primarily to the write up to market on investments.

Other revenue totalled \$585,471 in the three months ended September 30, 2005 compared to \$53,227 for the same period last year. Other revenue included \$283,145 (three months ended September 30, 2004 – \$41,227) in consulting fees and rental income. Other revenue is also comprised of \$302,326 (three months ended September 30, 2004 - \$12,000) of interest and dividend income distributed from certain of the Company's investments.

Operating, general and administrative expenses in the three months ended September 30, 2005 increased to \$978,103 in the three months ended September 30, 2005 from \$551,255 in the same period last year. During the current quarter, the Company accrued \$359,365 for a bonus payable to the Chief Executive Officer as part of a consulting agreement. During the same period last year, the Company reversed \$49,290 of the bonus accrual from a prior period.

Interest expense increased to \$311,009 in the three months ended September 30, 2005 as compared to \$149,429 in the same period last year. During the current period, the Company had a short term loan outstanding for \$1,100,000 (\$0 in the same period last year) with an annual interest rate of 18%. As well, the Company has increased it's investing activities by using it's margin accounts which resulted in the increase in the interest expense.

The Company recorded a provision for income taxes in the three months ended September 30, 2005 of \$5,726,406 as compared to \$855,929 in Q3 of 2004. The provision of income taxes in the current period was primarily a result the increase in the future tax liability arising from an increase in the excess of fair value over tax cost on long term assets and marketable securities held at the end of the period.

Net income for the three months ended September 30, 2005 was \$22,802,285 (\$1.64 per share), arising primarily from net unrealized investment gains. Net income for the three months ended September 30, 2004 was \$191,161 (\$0.01 per share), primarily from net unrealized investment gains offset against operating expenses.

Nine months ended September 30, 2005:

For the nine months ended September 30, 2005, the Company generated a realized net gain on disposal of investments of \$11,140,468 as compared to a net gain on disposal of investments of \$12,717,429 in the same period of 2004. During the period, \$8,729,366 of the realized net gain was attributable to the sale of marketable securities as compared to \$10,729,167 for the same

period last year. During the period, \$2,411,102 of the realized net gain was attributable to the sale of long term investments as compared to \$1,988,262 for the same period last year.

The Company also had net unrealized gains on investments of \$21,813,393 for the nine months ended September 30, 2005, compared to net unrealized losses on investments of \$26,861,926 for the same period last year. Of the net unrealized gains in 2005, \$8,039,279 was from the reversal of unrealized net gains on the disposal of investments and \$29,852,672 was due to the write up to market on the Company's investments. Of the net unrealized losses in 2004, \$16,455,041 was from the reversal of unrealized net gains on the disposal of investments and \$10,406,885 was due to the write down to market on the Company's investments.

Other revenue totalled \$1,206,736 in the nine months ended September 30, 2005 compared to \$175,232 for the same period last year. Other revenue included \$876,645 (nine months ended September 30, 2004 – \$77,808) in consulting fees and rental income. Other revenue is also comprised of \$330,091 (nine months ended September 30, 2004 - \$97,424) of interest and dividend income distributed from certain of the Company's investments and interest income from deposits in margin accounts.

Operating, general and administrative expenses in the nine months ended September 30, 2005 decreased by 13.1% from \$3,160,869 in the nine months ended September 30, 2004 to \$2,745,524 in the nine months ended September 30, 2005. Last year, the Company made a payment of \$700,000 plus GST upon the termination of the consulting agreement for the Chairman and Chief Executive Officer of Genevest effective May 31, 2004 that was precipitated by the amalgamation of Pinetree and Genevest. Also, operating, general, and administrative expenses for the nine months ended September 30, 2004 only include the expenses of Genevest for the full period and only Pinetree post amalgamation.

Interest expense increased to \$867,227 in the nine months ended September 30, 2005 as compared to \$437,402 in the same period last year. During the current period, the Company had a short term loan outstanding for \$1,500,000 (\$0 in the same period last year) with an annual interest rate of 18% which resulted in the increase in the interest expense. Interest expense also increased due to the increase in margin accounts used for investing purposes.

The Company recorded a provision of income taxes in the nine months ended September 30, 2005 of \$4,839,440 as compared to a recovery of income taxes of \$6,319,223 in the nine months ended September 30, 2004. The provision for income taxes in the current period was primarily a result of the increase in the future tax liability arising from an increase in the excess of fair value over tax cost on long term assets and marketable securities held at the end of the period.

Net income for the nine months ended September 30, 2005 was \$25,610,717 (\$1.85 per share), arising primarily from net investment gains. Net loss for the nine months ended September 30, 2004 was \$10,442,484 (\$0.92 per share), primarily from net investment losses offset against the extraordinary gain from the reverse takeover transaction and the recovery of income taxes.

Summary of Quarterly Results:

	Quarter ended (unaudited)			
	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Net investment gains	29,185,137	22,796	3,745,928	7,618,389
Income before extraordinary gain	22,802,285	420,006	2,388,426	6,456,763
Net income for the period	22,802,285	420,006	2,388,426	6,456,763
Earnings per share before extraordinary gain – basic	1.64	0.03	0.17	0.47
Earnings per share before extraordinary gain – diluted	1.50	0.03	0.17	0.47
Earnings per share – basic	1.64	0.03	0.17	0.47
Earnings per share – diluted	1.50	0.03	0.17	0.47

	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003
Net investment gains (losses)	1,428,900	(15,352,667)	(220,730)	17,938,559
Income (loss) before extraordinary gain	19,963	(10,334,488)	—	—
Net income (loss) for the period	191,161	(9,750,774)	(882,871)	10,473,530
Earnings (loss) per share before extraordinary gain – basic and diluted	0.00	(0.83)	(0.07)	0.86
Earnings (loss) per share – basic and diluted	0.01	(0.78)	(0.07)	0.86

Cash Flows

Three months ended September 30, 2005

Net cash used in operations was \$1,408,989 in the three months ended September 30, 2005, compared to net cash used in operating activities of \$623,204 in the same period last year.

During the three months ended September 30, 2005, the Company used cash of \$489,452 in financing activities as compared to cash generated of \$107,319 in Q3 of 2004. During the current period, the Company used \$539,737 to purchase the Company's common shares on the open market under a normal course issuer bid as compared to \$240,085 in the same period last year. During the current period, the Company generated cash of \$50,285 from the issue of share capital as compared to \$336,597 in the prior year period.

Net cash generated from investing activities was \$1,625,664 in the three months ended September 30, 2005 as compared to cash generated of \$700,940 in the same period last year. During the current period, the Company purchased \$20,837,235 of investments, an increase of \$13,117,446 as compared to \$7,719,789 in three months ended September 30, 2004. The Company had proceeds from its disposition of investments of \$12,994,500, an increase of \$8,493,769, as compared to \$4,500,731 in Q3 of last year. During the current period, amounts due to brokers increased by \$9,876,116 as compare to an increase of \$3,923,027 in the prior year.

For the three months ended September 30, 2005, the Company had a net decrease in cash and cash equivalents of \$272,777 as compared to a net increase of \$185,055 during the three months ended September 30, 2004, leaving a net bank indebtedness balance of \$862,735 as compared to a cash and cash equivalents balance of \$273,985 as at September 30, 2004.

Cash Flows

Nine months ended September 30, 2005

Net cash used in operations was \$3,993,826 in the nine months ended September 30, 2005, compared to net cash used in operating activities of \$1,639,404 in the same period last year. During the current period, the Company repaid advances from affiliated companies of \$899,654 and pay income taxes of \$683,099. Last year, the Company received a repayment of \$3,643,302 relating to advances to affiliated companies and accrued income taxes payable of \$1,326,944 which reduced the net cash used.

During the nine months ended September 30, 2005, the Company used cash of \$425,187 for financing activities as compared to cash used of \$7,092,452 in the same period in 2004. During the current period, the Company received proceeds from the issue of share capital of \$780,682 offset against \$1,023,694 used to purchase the Company's common shares on the open market under a normal course issuer bid as compared to \$347,847 received from the issue of share capital and \$813,609 used to purchase the Company's common shares on the open market in the same period last year. In the prior year period, the decrease was primarily a result of the cancellation of Pinetree shares held by Genevest and Genevest shares held by Pinetree. During the current period, the Company settled with one of the dissenting shareholders the reverse takeover of Pinetree by Genevest last year (see Commitments below) the Company paid an additional \$182,175 for the fair value of the common shares.

Net cash generated from investing activities was \$3,462,147 in the nine months ended September 30, 2005 as compared to cash generated of \$8,973,842 in the same period last year. During the current period, the Company purchased \$53,280,176 of investments, an increase of \$12,854,530 as compared to \$40,425,646 in nine months ended September 30, 2004. The Company had proceeds from its disposition of investments of \$47,482,168, a decrease of \$4,922,723, as compared to \$52,404,891 of last year. During the current period, amounts due to brokers increased by \$10,455,846 as compared to a decrease of \$3,002,374 in the same period in the prior year. During the current period, the Company repaid short term loans of \$1,193,060.

For the nine months ended September 30, 2005, the Company had a net decrease in cash and cash equivalents of \$956,866 as compared to a net increase of \$241,986 during the nine months ended September 30, 2004, leaving a bank indebtedness balance of \$862,735 as compared to a cash and cash equivalents balance of \$273,985 as at September 30, 2004.

Investments

As at September 30, 2005, the Company held marketable securities with a quoted market value of approximately \$86.1 million (Dec 31, 2004 – \$62.0 million), of which approximately \$76.7 million (Dec 31, 2004 – \$54.8 million) represents investments in mining and oil & gas companies.

Investments consist of the following:

Sectors:	September 30, 2005		December 31, 2004	
	Cost	Fair Value	Cost	Fair Value
Mining and Oil & Gas	\$ 59,634,974	\$ 82,580,199	\$ 42,875,492	\$ 54,772,272
Biotechnology	6,333,527	4,797,913	5,806,497	6,134,458
Technology and Other	17,515,918	33,800,700	14,322,723	21,520,213
Total investments	\$ 83,484,419	\$ 121,178,812	\$ 63,004,712	\$ 82,426,943

Refer to note 4 of the Notes to the Consolidated Financial Statements for details of the Company's investment portfolio.

Liquidity and Capital Resources

Balance Sheet Highlights (unaudited)	September 30, 2005	December 31, 2004
Investments, at fair value	\$ 121,178,812	\$ 82,426,943
Total assets	121,504,768	83,786,615
Total liabilities	39,929,972	27,465,105
Share capital and contributed surplus	18,112,789	18,470,220
Retained earnings	63,462,007	37,851,290
Net asset value per share – Basic	5.90	4.16
Net asset value per share – Diluted	5.20	3.65

The fair value of the Company's portfolio increased to \$121,178,812 from \$82,426,943 as at December 31, 2004. The cost base of the Company's portfolio was \$83,484,419 as at September 30, 2005 as compared to \$63,004,712 as at December 31, 2004. As such, the excess of fair value over cost stood at \$37,694,393 as at September 30, 2005 versus an excess of \$19,422,231 as at December 31, 2004, an increase of 94.1%.

As at September 30, 2005, the Company had a net bank indebtedness of \$862,735 as compared to cash and cash equivalents of \$94,131 on December 31, 2004. Net advances from affiliated companies decreased to nil as at September 30, 2005 compared to net advances from affiliated companies of \$899,654 as at December 31, 2004.

Amounts due to brokers increased by \$10,455,846 from \$17,506,566 as at December 31, 2004 to \$27,962,412 as at September 30, 2005. Accounts payable and accrued liabilities decreased to \$1,244,039 from \$1,414,591 as at December 31, 2004.

During the period, Pinetree's management handled all in-bound investor relations inquiries.

Commitments

As at September 30, 2005, the Company has material commitments for cash resources of \$862,735 for net bank indebtedness, \$27,962,412 due to brokers and \$1,117,680 in short term loans due December 31, 2005; and \$1,254,470 in income taxes payable.

On October 1, 2003, in connection with the Company's normal operations, the Company signed a priority agreement with CIBC World Markets Inc. ("CIBC") whereby CIBC has priority over the assets of the Company that are margined.

During the nine months ended September 30, 2005, the Company signed a General Security Agreement ("GSA") with Royal Bank of Canada ("RBC") for a \$1 million revolving line of credit and under the GSA, the Company's assets are collateralized after giving preference to CIBC. As at September 30, 2005, the Company had used \$874,159 of the line of credit. The Company used the line of credit for general operating purposes.

The Company also has a \$1,100,000 loan from Quest Capital Corp. (the "Quest Loan") which is unsecured and bears interest at 18% per annum. Interest is payable on the last day of each month with the first payment due and made on January 31, 2005.

The Company's marketable securities are sufficient to pay these material commitments.

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. The Company also has consulting agreements with officers and directors representing approximately \$29,500 per month that renew automatically annually.

Arising from the Business Combination of Pinetree and Genevest which is described in the Joint Management Information Circular ("Circular") of Pinetree and Genevest dated April 20, 2004, are two dissenting shareholders holding a total of 260,319 shares of Genevest, now a wholly owned subsidiary of Pinetree. In accordance with Alberta's Business Corporations Act, shareholders who dissent have the right to be paid fair value by the company for their shares. As at December 31, 2004, Genevest had paid \$2.45 per share for a total of \$637,782 as deposit in trust for the dissenting shares which have been cancelled and the Company had accrued a contingent liability against share capital of \$780,957 relating to the payment of fair value for the dissenting shares. During the six months ended June 30, 2005, the Company settled with one of the dissenters holding 173,500 common shares, and reduced share capital for an additional \$182,175 for the fair value of the shares.

Related Party Transactions

- (a) During the nine months ended September 30, 2005, the Company had consulting agreements with certain officers and directors representing approximately \$29,500 (nine months ended September 30, 2004 - \$29,500) per month. Included in operating, general and administrative expenses is approximately \$266,200 (nine months ended September 30, 2004 - \$315,000) paid under these contracts. Included in the consulting agreement for the Chairman and Chief Executive Officer of the Company, is an annual bonus equal to 10% of the realized pre-tax profit of the Company. Included in operating, general and administrative expenses is \$968,728 (nine months ended September 30, 2004 - \$1,044,544) relating to this bonus.
- (b) The Company has promissory notes totaling \$79,000 (December 31, 2004 - \$481,780) owing from an officer of the Company. The promissory notes are unsecured and interest free.
- (c) Other income includes consulting income of \$867,645 (nine months ended September 30, 2004 - \$71,808) from companies in which the Company has an investment.

- (d) The Company has a cost sharing arrangement with certain of its affiliated companies covering specific operating, general and administrative expenses including lease commitments and salaries.

Outstanding Share Data:

On July 13, 2004, the Company announced its intentions to make a normal course issuer bid for up to 695,000 of its common shares (the "2005 NCIB") for cancellation. The 2005 NCIB commenced on July 19, 2005 and will end no later than July 18, 2006. Purchase and payment for the common shares will be made in accordance with the TSX requirements. During the nine months ended September 30, 2005, pursuant to the 2005 NCIB, the Company had purchased 179,700 common shares of the Company at an average price of \$3.00 per common share.

As at September 30, 2005, the Company had 13,835,561 common shares and 1,838,726 stock options outstanding, exercisable at prices ranging from \$1.19 to \$3.50 and expiring between January 6, 2006 and September 29, 2010.

Subsequent to September 30, 2005, 710,284 stock options were exercised at \$1.19 per common share, 79,283 stock options were exercised at \$1.75 per common share, and 4,200 stock options were exercised at \$2.10 per common share. The Company also purchased 130,000 common shares of the Company at an average price of \$3.33 per common share.

Subsequent to September 30, 2005, the Company granted 50,000 stock options exercisable at \$3.55 per common share expiring October 2, 2010; 250,000 stock options exercisable at \$3.35 per common share expiring October 10, 2010; and 150,000 stock options exercisable at \$3.00 per common share expiring October 30, 2010.

As at November 10, 2005, the Company had 14,499,328 common shares and 1,494,959 stock options outstanding, exercisable at prices ranging from \$1.19 to \$3.55 and expiring between January 6, 2006 and October 30, 2010.

For more details, refer to Note 6 of the Notes to the Consolidated Financial Statements wherein share capital is described.

Additional Information:

Additional information relating to Pinetree can be found on SEDAR at www.sedar.com.