



Management's Discussion and Analysis

For the Quarter Ended: September 30, 2008

Date of Report: November 14, 2008

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Pinetree Capital Ltd. ("Pinetree" or the "Company") should be read in conjunction with Pinetree's audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2007 and unaudited consolidated financial statements and notes thereto as at and for the three and nine months ended September 30, 2008. The annual consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial reporting and, accordingly, do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period.

All financial data in this MD&A has been prepared in accordance with GAAP except as otherwise indicated (see "Use of Non-GAAP Measures"). All dollar amounts in this MD&A are reported in thousands of Canadian dollars, except for per share amounts. Additionally, all comparative figures in this MD&A have been adjusted to reflect a 2-for-1 stock split effected by the Company by way of a stock dividend of one common share for every common share outstanding at the close of business on April 5, 2007.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in

this MD&A include, but are not limited to: risks relating to investment performance, market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian and U.S. economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located, the impact of changes in accounting policies, and other risks included elsewhere in this MD&A under the heading "Financial Instruments" and in the Company's current annual information form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Nature of the Business:

Pinetree was incorporated under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". Pinetree is a diversified investment, financial advisory and merchant banking firm focused on the small-cap market. Pinetree's investments are primarily in the following resource sectors: Uranium, Oil & Gas, Molybdenum, Precious Metals, Potash and Rare Earths, and Base Metals. As well, Pinetree has investments in the Biotechnology, Energy Related Technology, and Technology sectors. Pinetree's investment approach is to develop a macro view of a sector, build a position consistent with the view by identifying micro-cap opportunities within that sector, and devise an exit strategy designed to maximize our relative return in light of changing fundamentals and opportunities.

Overall Performance and Significant Events:

Selected financial highlights for the periods ended September 30:

Operating Results (Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Gains (losses) on disposal of investments, net	\$ 5,194	\$ (2,998)	\$ (1,585)	\$ 170,533
Unrealized losses on investments, net	(257,634)	(128,819)	(318,829)	(267,234)
Income (loss) from equity accounted investment	(3,769)	(410)	(3,987)	705
Net investment losses	(256,209)	(132,227)	(324,401)	(95,996)
Net loss for the period	(210,853)	(92,305)	(264,284)	(89,391)
Loss per common share – basic	(1.63)	(0.93)	(2.21)	(0.96)
Loss per common share - diluted	(1.63)	(0.93)	(2.21)	(0.96)

- The Company's net investment losses for the three months ended September 30, 2008 were comprised mainly of net unrealized losses on investments in the Company's portfolio incurred as a result of the continuing decline in stock prices during the quarter and the mark-to-market accounting rules applicable thereto. The Company made realized gains during the current quarter, primarily from its gain on the disposition of Gold Eagle Mines Ltd. Until such time as there is sustained stabilization and improvement in market conditions, the Company does not expect to make significant realized gains on its investments.
- For the three months ended September 30, 2008, the Company realized net gains on disposal of investments of \$5,194 (\$0.04 per basic share) as compared to realized net losses on disposal of investments of \$2,998 (\$0.03 per basic share) for the same period last year. For the nine months ended September 30, 2008, the Company realized net losses on disposal of investments of \$1,585 (\$0.01 loss per basic share) as compared to realized net gains on disposal of investments of \$170,533 (\$1.82 per basic share) for the same period last year.
- For the three months ended September 30, 2008, the Company had a net loss of \$210,853 (\$1.63 per basic share) as compared to a net loss of \$92,305 (\$0.93 per basic share) for the same period last year. For the nine months ended September 30, 2008, the Company had a net loss of \$262,484 (\$2.21 per basic share) as compared to a net loss of \$89,391 (\$0.96 per basic share) the same period last year.
- The majority of the decrease in the fair value of the Company's investments and equity accounted investments was due to the decline in stock prices (as noted above), with a smaller portion of the decrease attributable to dispositions. As at September 30, 2008, the Company held investments at fair value and equity accounted investments of \$239,801 as compared to \$499,321 as at June 30, 2008 (a 52.0% decrease) and \$611,594 as at December 31, 2007 (a 60.8% decrease).
- As at September 30, 2008, shareholders' equity stood at \$265,551 as compared to \$431,824 at June 30, 2008 (a 38.5% increase) and \$476,927 as at December 31, 2007 (a 44.3% decrease).
- In June 2008, Mr. Alan Hibben was appointed to Pinetree's board of directors and as a member of Pinetree's audit committee. Mr. Hibben has extensive experience in the financial services industry, including in the areas of corporate development, mergers and acquisition advisory services, private equity and venture capital. Most recently, he was Chief Executive Officer of RBC Capital Partners and Head, Strategy & Development, of RBC Financial Group.
- In July 2008, Mr. Donato Sferra, Vice President, Investments, resigned from the Company to pursue other interests. Mr. Sferra joined Pinetree in February 2007.

Investments:

(a) Investments at fair value consist of the following:

Sectors:	September 30, 2008		December 31, 2007	
	Cost	Fair Value	Cost	Fair Value
Resources:				
Precious metals	\$ 185,718	\$ 75,716	\$ 236,272	\$ 240,479
Uranium	146,243	44,276	166,662	118,384
Base metals	122,212	44,069	84,923	72,874
Oil & gas	40,350	18,988	50,315	45,543
Molybdenum	35,198	18,171	40,652	50,506
Potash and rare earths	9,910	5,410	5,954	17,052
Technology and other	31,883	15,394	29,701	23,805
Biotechnology	13,547	7,416	13,838	11,400
Energy related technology	15,710	4,547	11,643	11,996
Total investments	\$ 600,771	\$ 233,987	\$ 639,960	\$ 592,039

The following is the number of investments in each sector:

Resources:	September 30, 2008		December 31, 2007	
		<u>% of Total</u>		<u>% of Total</u>
Precious metals	154	36.1	196	40.2
Uranium	74	17.3	87	17.9
Base metals	75	17.6	67	13.8
Oil & gas	42	9.8	56	11.5
Molybdenum	19	4.5	22	4.5
Potash and rare earths	7	1.6	4	0.8
Technology and other	36	8.5	35	7.2
Biotechnology	10	2.3	11	2.3
Energy related technology	10	2.3	9	1.8
	427	100.0	487	100.0

The total number of investments held by the Company has decreased to 427 from 429 at the end of the previous quarter. During the quarter, the Company's investment activity declined as a result of the volatility and unpredictability of the sectors in which the Company invests, and the Company does not expect a significant increase in the number of its investments in the short term. The Company continues to focus on investments in the resource sector. As at September 30, 2008, 371 out of 427, or 86.9%, of the investments were in the resource sector. As at September 30, 2008, \$206,630 (88.3%) of the fair value of the investments was in resource companies as compared to \$544,838 (92.0%) as at December 31, 2007.

The lack of access to credit and the growing concerns of a global recession have negatively impacted commodity and materials prices, driving down equity prices for stocks in the different resource sectors in which the Company primarily invests. As a result, the fair value of the investments held by the Company as at September 30, 2008 decreased by 60.5% to \$233,987 as compared to \$592,039 at the end of last year. The cost base of the Company's portfolio was \$600,771 as at September 30, 2008 as compared to \$639,960 as

at December 31, 2007. As such, the cost of investments exceeded fair value by \$366,784 as at September 30, 2008 versus \$47,921 as at December 31, 2007. The increase arose primarily from the unrealized losses of \$318,829 in the nine months ended September 30, 2008 due to an overall decline of the closing bid prices of the Company's investments. Although the Company's investment strategy has not changed and its long term strategy remains intact, the Company believes that it will continue to see volatility and downward pressure on stock prices in the near term.

The fair value of Pinetree's publicly-traded investments is determined in accordance with the Company's accounting policy. See "Accounting Policy for Valuing Investments". The amounts at which the Company's publicly-traded investments could be disposed of currently may differ from their carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

As at September 30, 2008, included in total investments were securities of private companies with a fair value totalling \$24,547 (cost of \$41,872) (December 31, 2007 – fair value of \$52,450; cost of \$43,589), which reflects an overall reduction of the fair value of the Company's private investments by 50% to reflect similar declines in public market valuations of similar companies. The cost basis of private investments declined during the period because several of the private investments became public issuers during the nine months ended September 30, 2008. The fair value of the private company investments was determined in accordance with the Company's accounting policy for private company investments. See "Accounting Policy For Valuing Investments".

- (b) Equity accounted investments consists of the following as at September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Equity accounted investments - carrying value, beginning of period	\$ 19,555	\$ 21,932
Purchases of equity accounted investments	1,974	-
Income (loss) from equity accounted investments	(3,987)	5,548
Dividend received from equity accounted investments	(11,728)	(7,925)
Equity accounted investments - carrying value, end of period	\$ 5,814	\$ 19,555
Equity accounted investments - cost	\$ 1,974	\$ -
Number of equity accounted investments	3	1

During the current period, the Company purchased an additional 14,500,000 common shares of Mega Moly Inc. for \$325 for a 35.4% ownership and purchased 2,000,000 common shares of Vesta Capital Corp. for \$400 for a 31.7% ownership. As a result of having an ownership of greater than 20%, the Company is deemed to have significant influence over these companies and the Company is required to account for these investments using the equity method.

See "Accounting Policy For Valuing Investments" for details of how the Company values investments accounted for using the equity method. Refer to note 3 of the Notes to the unaudited consolidated financial statements as at and for the three and nine months ended

September 30, 2008 for additional details of the Company's investment portfolio as at September 30, 2008 and December 31, 2007.

Results of Operations:

The Company's quarterly results for the eight most recently completed interim financial periods are as follows:

	Quarter ended (unaudited)			
	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
Net investment gains (losses)	\$ (256,209)	\$ 1,211	\$ (82,097)	\$ 11,938
Net income (loss) for the period	(210,853)	4,774	(56,405)	(2,214)
Earnings (loss) per share – basic	(1.63)	0.04	(0.50)	(0.02)
Earnings (loss) per share – diluted	(1.63)	0.04	(0.50)	(0.02)
	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006
Net investment gains (losses)	\$ (132,227)	\$ (51,146)	\$ 87,377	\$ 156,422
Net income (loss) for the period	(92,305)	(44,266)	47,180	97,707
Earnings (loss) per share – basic	(0.93)	(0.47)	0.55	1.14
Earnings (loss) per share – diluted	(0.93)	(0.47)	0.52	1.07

Three Months Ended September 30, 2008 and 2007:

For the three months ended September 30, 2008, the Company generated a net realized gain on disposal of investments of \$5,194 as compared to a net realized loss on disposal of investments of \$2,998 for the third quarter of 2007.

The Company had net unrealized losses on investments of \$257,634 for the three months ended September 30, 2008 as compared to net unrealized losses on investments of \$128,819 for the same period in 2007. Of the net unrealized losses for the three months ended September 30, 2008, \$255,633 arose from the write-down to market on the Company's investments and \$2,001 from the reversal of previously recognized net unrealized gains on the disposal of investments. Of the total write-down to market of the Company's investments during the current period, \$24,547 was related to the write-down of the Company's private investments to reflect similar declines in public market valuations of similar companies. Of the net unrealized losses in third quarter of 2007, \$66,599 arose from the write-down to market on the Company's investments and \$62,220 was from the reversal of net unrealized gains on the disposal of investments.

For the three months ended September 30, 2008, the Company had losses from its equity accounted investments of \$3,769 as compared to a loss from its equity accounted investment of \$410 in the same period in the prior year.

During the current quarter, other revenue totalled \$252 as compared to \$234 for the same period last year. Other revenue is comprised of \$147 (three months ended September 30, 2007 – \$151) from consulting fees and rental income and \$105 (three months ended September 30, 2007 - \$83) of interest income earned on certain of the Company's investments and interest income from tax assessment refunds.

Operating, general and administrative expenses in the three months ended September 30, 2008 increased to \$4,420 from \$3,139 in the three months ended September 30, 2007. The increase of \$1,281 in the current period resulted primarily from an increase in stock-based compensation expense for options granted to directors, officers, employees, and consultants. Included in operating, general and administrative expenses is \$2,964 in stock-based compensation expense as compared to \$1,669 in the third quarter of 2007, an increase of \$1,295. Excluding the stock-based compensation expense, operating, general and administrative expenses during the three months ended September 30, 2008 decreased by 1.0% to \$1,456 from \$1,470, as described further below.

Following is the breakdown of operating, general and administrative expenses for the three months ended September 30. Details of the changes follow the table:

	Three Months Ended September 30,	
	<u>2008</u>	<u>2007</u>
Consulting bonuses (a)	\$ 560	\$ 274
Consulting fees and salaries expense (b)	499	463
Stock-based compensation expense (c)	2,964	1,669
Professional fees (d)	65	164
Shareholder relations, transfer agent and filing fees (e)	14	92
Travel, meals, and entertainment (f)	19	139
Rent and insurance expenses	125	122
Office and general	174	216
	\$ 4,420	\$ 3,139

- (a) Consulting bonuses increased by \$286. The increase in the annual bonus was due to the increase in realized net income in the quarter as compared to the same period last year. In the current period, the Company accrued an annual bonus (including GST) to the Company's Chairman and Chief Executive Officer ("CEO") of \$560 as compared to \$221 in the same period last year. The annual bonus payable is equal to 10% of the realized pre-tax profit on the Company's non-limited market dealer business plus a bonus equal to 10% of the limited market dealer's business' net realized profit. See "Related Party Transactions" for further discussion of this. The Company also paid other bonuses of \$53 in the third quarter of 2007.
- (b) Consulting fees and salaries expense increased by \$36 during the quarter. The increase was primarily due to the addition of new staff and additional consulting agreements with senior management of the Company since the first quarter of 2007.
- (c) Stock-based compensation expense increased by \$1,295. The increase in the current quarter was a result of stock options granted during the current and previous year. Stock options granted during the current and prior year vest at three-month intervals over 18 months and are accounted for in accordance with the fair value method of accounting for stock-based compensation, thus giving rise to an increased stock-based compensation

expense. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model, and expensed over the vesting periods.

- (d) Professional fees decreased by \$99 for the quarter as compared to the third quarter of 2007, primarily due to a reduction of legal fees for external counsel.
- (e) Shareholder relations, transfer agent and filing fees decreased by \$78 during the quarter. The decrease is primarily due to a decrease in public relations costs and the cost of press release filings from a reduced number of press releases filed as compared to the prior year quarter.
- (f) Travel, meals, and entertainment decreased by \$120 in the quarter, due to a decrease in travel under taken during the period.

Transaction costs decreased 90.1% to \$164 from \$1,653, due to a decrease in the volume of trading conducted by the Company and a decrease in the commission rate charged by the Company's brokers. Transaction costs arise from the purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments.

During the three months ended September 30, 2008, the Company experienced an unrealized foreign exchange gain of \$249 on its foreign denominated net liabilities as compared to an unrealized foreign exchange loss of \$384 in the same period last year. The net gain in the current period primarily arose due to the increase in the value of the Canadian dollar versus the the Australian dollar, which decreased the Canadian dollar value of the foreign dollar amounts due to brokers which were partially repaid during the period, resulting in a foreign exchange gain.

Interest expense decreased to \$832 in the three months ended September 30, 2008 as compared to \$2,752 in the same period last year, 69.8% decrease. Interest expense decreased due to a decline in the use of margin for purchases of investments, a decrease in rates charged by the Company's brokers and a general decrease in interest rates.

The Company recorded a recovery of income taxes in the three months ended September 30, 2008 of \$50,310 as compared to \$47,644 in the three months ended September 30, 2007. The recovery of income taxes in the current period was primarily due to a future income tax asset ("FTA") arising from an increase in the excess of tax cost over fair value on investments held at the end of the period and from the tax effect of non-capital losses carried forward. The full value of the FTA, based on the tax benefit that would arise from the application of the Company's non-capital loss carryforwards, is \$60,324. However, management determined, based upon the Company's historical level of taxable income and expectations for future taxable income, that it believes that it is more likely than not that the Company will realize the tax benefits of only a portion of the non-capital loss carryforwards during the next several years. As such, the Company has recorded a valuation allowance equal to 50% of the FTA, resulting in a valuation allowance of \$30,162. The recovery of income taxes in the current period was also due to an accrual of income tax receivable from expected tax losses carried back to prior years.

Net loss for the three months ended September 30, 2008 was \$210,853 (\$1.63 per share) versus net loss for the three months ended September 30, 2007 of \$92,305 (\$0.93 per share).

The net loss in the current period was primarily due to the write-down to fair value of the Company's investments in accordance with Pinetree's accounting policies.

Nine Months Ended September 30, 2008 and 2007:

For the nine months ended September 30, 2008, the Company generated net realized losses on disposal of investments of \$1,585 as compared to a net realized gain on disposal of investments of \$170,533 for the same period of 2007.

The Company had net unrealized losses on investments of \$318,829 for the nine months ended September 30, 2008 as compared to net unrealized losses on investments of \$267,234 for the same period in 2007. Of the net unrealized losses for the nine months ended September 30, 2008, \$317,310 arose from the net write-down to market on the Company's investments and by \$1,519 from the reversal of previously recognized net unrealized gains on the disposal of investments. Of the total write-down to market of the Company's investments during the current period, \$24,547 was related to the write-down of the Company's private investments to reflect similar declines in public market valuations of similar companies. Of the net unrealized losses in the same period last year, \$67,740 arose from the write-down to market on the Company's investments and \$199,494 was due to the reversal of net unrealized gains on the disposal of investments.

For the nine months ended September 30, 2008, the Company had a loss from its equity accounted investments of \$3,987 as compared to income from its equity accounted investment of \$705 in the same period in the prior year.

During the nine months ended September 30, 2008, other revenue totalled \$878 as compared to \$594 for the same period last year. Other revenue is comprised of \$444 (nine months ended September 30, 2007 - \$445) from consulting fees and rental income and \$434 (nine months ended September 30, 2007 - \$149) of interest income earned on certain of the Company's investments and interest on tax refunds.

Operating, general and administrative expenses in the nine months ended September 30, 2008 decreased to \$13,196 from \$26,612 in the nine months ended September 30, 2007. The decrease of \$13,416 in the current period resulted primarily from an annual bonus accrual (including GST) of \$19,044 in the prior year as compared to \$560 in the current period to the CEO, a decrease of \$18,484. The Company also paid other bonuses of \$631 in the nine months ended September 30, 2007. Also, included in operating, general and administrative expenses is \$9,152 (nine months ended September 30, 2007 - \$3,203) in stock-based compensation expense. Excluding the bonuses and stock-based compensation expense, operating, general and administrative expenses during the nine months ended September 30, 2008 decreased by 6.7% to \$3,484 from \$3,734, as described further below.

Following is the breakdown of operating, general and administrative expenses for the nine months ended September 30. Details of the changes follow the table:

	Nine Months Ended September 30,	
	<u>2008</u>	<u>2007</u>
Consulting bonuses (a)	\$ 560	\$ 19,675
Consulting fees and salaries expense (b)	1,568	1,300
Stock-based compensation expense (c)	9,152	3,203
Professional fees (d)	327	565
Shareholder relations, transfer agent and filing fees (e)	295	465
Travel, meals, and entertainment (f)	184	336
Rent and insurance expenses	371	366
Office and general	739	702
	\$ 13,196	\$ 26,612

- (a) Annual bonus to the Company's CEO (as described above) decreased by \$19,115. The decrease in the annual bonus was due to the decrease in realized net income in the period as compared to the same period last year. In 2007, the Company also paid bonuses (including GST) of \$631 to certain officers of the Company.
- (b) Consulting fees and salaries expense increased by \$268 during the period. The increase was primarily due to the addition of new staff and an overall increase in consulting and salaries expense.
- (c) Stock-based compensation expense increased by \$5,949. The increase in the current period was a result of stock options granted during the current and previous year.
- (d) Professional fees decreased by \$238, primarily due to a reduction of legal fees for external counsel.
- (e) Shareholder relations, transfer agent and filing fees decreased by \$170 during the quarter. The decrease is primarily due to a decrease in public relations costs, marketing and the cost of press release filings from a reduced number of press releases filed as compared to the prior year period.
- (f) Travel, meals, and entertainment decreased by \$152, due to a decrease in travel under taken during the period.

Transaction costs decreased 73.6% to \$1,206 from \$4,571 due to a decrease in the volume of trading conducted by the Company and a decrease in the commission rate charged by the Company's brokers. Transaction costs arise from the purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments.

During the nine months ended September 30, 2008, the Company experienced an unrealized foreign exchange loss of \$138 on its foreign denominated net liabilities as compared to an unrealized foreign exchange gain of \$810 in the same period last year. The net loss in the current period primarily arose due to the decrease in the value of the Canadian dollar versus the U.S. dollar and the Australian dollar, which increased the Canadian dollar value of the

foreign dollar amounts due to brokers which were partially repaid during the period, resulting in a foreign exchange loss.

Interest expense decreased to \$3,100 in the nine months ended September 30, 2008 as compared to \$5,884 in the same period last year. Interest expense decreased due to decreased use of margin for purchases of investments, a decrease in rates charged by the Company's brokers and a general decrease in interest rates.

The Company recorded a recovery of income taxes in the nine months ended September 30, 2008 of \$78,793 as compared to a recovery of income taxes of \$42,343 in the nine months ended September 30, 2007. The recovery of income taxes in the current period was primarily due to FTA arising from an increase in the excess of tax cost over fair value on the Company's investments held at the end of the period. The full value of the FTA, based on the tax benefit that would arise from the application of the Company's non-capital loss carryforwards, is \$60,324. However, management determined, based upon the Company's historical level of taxable income and expectations for future taxable income, that it believes that it is more likely than not that the Company will realize the tax benefits of only a portion of the non-capital loss carryforwards during the next several years. As such, the Company has recorded a valuation allowance equal to 50% of the FTA, resulting in a valuation allowance of \$30,162. The recovery of income taxes in the current period was also due to an accrual of income tax receivable from expected tax losses carried back to prior years and future income tax assets from expected tax losses carried forward.

Net loss for the nine months ended September 30, 2008 was \$262,484 (\$2.21 per share) versus net loss for the nine months ended September 30, 2007 of \$89,391 (\$0.96 per share). The net loss in the current period was primarily due to the write-down to fair value of the Company's investments in accordance with Pinetree's accounting policies.

Cash Flows: Three Months Ended September 30, 2008 and 2007

Net cash generated from operating activities was \$1,364 in the three months ended September 30, 2008, compared to net cash used in operating activities of \$12,829 in the same period last year, an increase of \$14,193.

During the three months ended September 30, 2008, the Company used cash in financing activities of \$4,622 as compared to cash used of \$133,340 in the same period of 2007. During the current period, cash used was primarily to repay \$65,803 due to brokers. The Company had net cash proceeds of \$40,888 from a brokered private placement financing and \$19,669 in advances from an officer (the Company's CEO). During the same period last year, the Company primarily used cash to repay \$91,610 due to brokers and \$42,500 of promissory notes. There were no financings during the same period last year.

Net cash generated in investing activities was \$3,305 in the three months ended September 30, 2008 as compared to cash generated of \$147,170 in the same period last year. During the current period, the Company had proceeds from its disposition of investments of \$32,343, a decrease of \$250,510, when compared to \$282,853 of dispositions in the same period last year. The Company purchased \$27,058 of investments, a decrease of \$116,548 as compared to

\$143,606 of investment purchases in the three months ended September 30, 2007. During the three months ended September 30, 2007, the Company received a dividend of \$7,925 from its equity accounted investment.

For the three months ended September 30, 2008, the Company had a net increase in cash and cash equivalents of \$47 as compared to a net increase of \$1,001 during the three months ended September 30, 2007, leaving a cash and cash equivalents balance of \$94 as compared to a cash and cash equivalents balance of \$40 as at September 30, 2007.

Cash Flows:

Nine Months Ended September 30, 2008 and 2007

Net cash used in operating activities was \$13,385 in the nine months ended September 30, 2008, as compared to net cash used in operating activities of \$48,030 in the same period last year, an improvement of \$34,645. The decrease in cash used was primarily due to a decrease in operating expenses in the current period and payments of income tax of \$18,369 in the nine months ended September 30, 2007.

During the nine months ended September 30, 2008, the Company used cash in financing activities of \$33,898 as compared to generating cash of \$121,684 in the same period of 2007. During the current period, cash used was primarily to repay \$84,914 due to brokers and \$10,128 of advances from an affiliated company. During the current period, the Company had net proceeds of \$40,888 from a brokered private placement financing and received \$19,669 as advances from an officer. During the same period last year, the Company had net proceeds of \$114,367 from a brokered private placement financing and received \$7,912 from the exercise of stock options and warrants. The Company also used an additional \$9,631 from margin accounts and repaid a promissory note of \$19,271 in the prior year period.

Net cash generated in investing activities was \$47,311 in the nine months ended September 30, 2008 as compared to cash used of \$73,789 in the same period last year. During the current period, the Company had proceeds from its disposition of investments of \$215,797, a decrease of \$438,009, when compared to \$653,806 of dispositions in the same period last year. The Company purchased \$178,159 of investments, a decrease of \$556,822 as compared to \$734,981 of investment purchases in the nine months ended September 30, 2007. During the current period, the Company received a dividend of \$11,728 (nine months ended September 30, 2007 - \$7,925) from its equity accounted investment.

For the nine months ended September 30, 2008, the Company had a net increase in cash and cash equivalents of \$28 as compared to a net decrease of \$135 during the nine months ended September 30, 2007, leaving a cash and cash equivalents balance of \$94 as compared to a cash and cash equivalents balance of \$40 as at September 30, 2007.

Liquidity and Capital Resources:

Consolidated Balance Sheet Highlights (unaudited)	September 30, 2008	December 31, 2007
Investments, at fair value	\$ 233,987	\$ 592,039
Equity accounted investments	5,814	19,555
Total assets	289,741	620,179
Total liabilities	24,190	143,252
Share capital, warrants and broker warrants and contributed surplus	355,560	304,452
Retained earnings (deficit)	(90,009)	172,475
Net asset value per share – Basic	\$ 2.02	\$ 4.20
Net asset value per share – Diluted	\$ 1.66	\$ 3.61

Equity accounted investments together with the fair value of the Company's portfolio decreased to \$239,801 from \$611,594 as at December 31, 2007, a decrease of 60.8%. The net asset value per share (basic) decreased 51.9% to \$2.02 from \$4.20 as at December 31, 2007. (See "Use of Non-GAAP Measures" elsewhere in this MD&A.)

The Company's publicly-traded investments trade on public stock exchanges in Canada, the United States, Australia, and England, offering potential liquidity and cash flow. During the nine months ended September 30, 2008, the Company disposed of investments for proceeds of \$215,797, and purchased investments totalling \$178,159, as noted in the Cash Flows section above. The excess of proceeds over dispositions was primarily used to repay funds borrowed as part of the Company's financing activities.

As at September 30, 2008, the Company has recorded an income tax receivable of \$18,919 (December 31, 2007 – \$7,442) related to estimated tax losses in the current period which will be carried back to recover prior years' taxes paid.

Liabilities:

As at September 30, 2008, total current liabilities decreased to \$23,628 as compared to \$109,817 as at December 31, 2007, a 78.5% decrease. The decrease was primarily from a reduction in due to brokers, the repayment of advances from an affiliated company, and the payment of the CEO's bonus accrued for the year ended December 31, 2007.

- (a) As at September 30, 2008, the Company had accrued future income tax liabilities of \$562 as compared to \$33,435 as at December 31, 2007. The future income tax liability is primarily attributable to applying the expected tax rate for future periods (33% to 29%) to the excess of fair value over tax cost on certain investments held at September 30, 2008. This amount was less at September 30, 2008 than as at December 31, 2007 which resulted in the decreased accrued future income tax liability.
- (b) The Company has an operating line of credit with Royal Bank of Canada ("RBC") for \$1,000, collateralized by the Company's assets. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand. From time to time, the Company

will use the operating line of credit and as at September 30, 2008, the Company had utilized \$921 (December 31, 2007 - \$674) of the operating line of credit.

- (c) As at September 30, 2008, the Company had used net margin (due to brokers) of \$1,687. Due to brokers consists of margin borrowings collateralized by the Company's investments held at the broker. In the normal course of business, the Company utilizes the margin borrowings to finance its investment activities. Interest is charged on the daily outstanding balance at a tiered rate which fluctuates between the broker's overnight rate plus a percentage ranging from 0.15% to 1.25%, depending on the amount of margin used.
- (d) From time to time, the CEO advances funds to Pinetree. The advances are unsecured, due on demand and bear interest at 8%. As at September 30, 2008, the Company had advances of \$19,669 from the CEO. These advances were secured subsequent to September 30, 2008.
- (e) As at September 30, 2008, the Company had advances of \$500 (December 31, 2007 - \$10,628) from PowerOne Capital Markets Limited ("PowerOne"). These advances were unsecured and interest free. The Company owns a 50% interest in PowerOne, an Ontario limited market dealer.

Commitments:

As at September 30, 2008, the Company had material commitments for cash resources of \$27,147 which were comprised of: \$1,687 due to brokers; \$921 bank indebtedness; \$851 accounts payable and accrued liabilities; \$19,669 advances from officer; and \$500 advances from affiliated company, all of which are due on demand; the Company also has lease commitments of \$3,519. The disposition of the Company's investments would be sufficient to pay these material commitments. A schedule of liabilities and obligations is as follows as at September 30, 2008:

Liabilities and Obligations	Payments Due by Period				
	Total	Less than 1 year	1 – 3 year	4 – 5 years	After 5 years
Due to brokers	\$ 1,687	\$ 1,687	\$ -	\$ -	\$ -
Bank indebtedness	921	921	-	-	-
Accounts payable and accrued liabilities	851	851	-	-	-
Advances from officer	19,669	19,669	-	-	-
Advances from affiliated company	500	500	-	-	-
Lease commitments	3,519	650	2,018	851	-
	\$ 27,147	\$ 24,278	\$ 2,018	\$ 851	\$ -

The Company continues to have no long-term debt; however, the Company made a lease commitment for its premises starting January 1, 2007 for annual payments of approximately \$641 (\$53 monthly) until December 31, 2010 and approximately \$681 (\$57 monthly) from January 1, 2011 to December 31, 2013. The Company also has consulting agreements with officers representing approximately \$69 per month that automatically renew annually.

Related Party Transactions:

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party transactions were as follows during the nine months ended September 30:

Type of Service	Nature of Relationship	2008	2007
Consulting fees (a)	Director, shareholders, and officers	\$ 771	\$ 697
Consulting bonuses (b)	Director, shareholders, and officers	560	19,675
Director fees	Directors	72	24
Interest expense	Affiliated companies	-	710
Interest expense (c)	Director, shareholder, and officer	662	430
Other income (d)	Affiliated companies	444	445
Dividend income (e)	Affiliated company	11,728	7,925
Realized losses on disposal of investments (f)	Affiliated companies	21,437	-

- (a) Consulting agreements are with the Company's CEO, Chief Financial Officer, and Vice President - Legal & Corporate Affairs. The costs relating to these agreements are included in operating, general and administrative expenses.
- (b) Pursuant to the CEO's consulting agreement with the Company, he is entitled to receive an annual bonus equal to (i) 10% of the realized pre-tax profit of the Company, excluding distributions made from the limited market dealer in which the Company has a 50% ownership (the "LMD"); and (ii) 10% of the LMD's net realized pre-tax profit, excluding distributions made by the LMD to the Company. Included in operating, general and administrative expenses (including GST) is \$560 (nine months ended September 30, 2007 - \$19,044) relating to this bonus. Other bonuses of \$631 were also paid to officers in 2007.
- (c) From time to time, the CEO advances funds to Pinetree. The advances are unsecured, due on demand, and bear interest at 8%. During the nine months ended September 30, 2008, the CEO advanced a maximum of \$35,000 (2007 - \$76,938) to the Company, and included in the consolidated statements of operations is \$662 (2007 - \$430) of interest expense relating to these advances. As at September 30, 2008, the Company had advances of \$19,669 from the CEO.

Subsequent to September 30, 2008, the advances from officer were secured under a General Security Agreement (the "GSA"). The GSA covers all present and future tangible and intangible property of the Company to any security interests ranking in priority thereto, including the security interest for the Company's line of credit with RBC and of the Company's brokers in respect to its margin borrowings.

- (d) Other income relates to consulting, sublease, and services agreements of approximately \$444 (2007 - \$445) from companies in which Pinetree has an investment interest. 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.

- (e) During the nine months ended September 30, 2008, the Company received dividend income of \$11,728 (nine months ended September 30, 2007 - \$7,925) from PowerOne.
- (f) During the nine months ended September 30, 2008, the Company sold certain of its investments at market prices to Mega Uranium Ltd. ("Mega"). The Company has an investment in Mega, which is a company with a common director and common officers of the Company and a reporting issuer trading on the TSX under the symbol "MGA". Total proceeds on the sales were \$12,816 and the Company recognized an aggregate realized loss on the sales of \$15,195.

During the nine months ended September 30, 2008, the Company sold certain of its investments at market prices to Brownstone Ventures Inc. ("Brownstone"). The Company has an investment in Brownstone, which is a company with common directors and common officers of the Company and a reporting issuer trading on the TSX Venture Exchange under the symbol "BWN". Total proceeds on the sales were \$25,134 and the Company recognized an aggregate realized loss on the sales of \$6,242.

Internal Controls Over Financial Reporting:

During the three months ended September 30, 2008, the Company commenced the implementation of an improved internal control disclosure system. The Company expects to have this system fully implemented by December 31, 2008. There were no other changes in the Company's internal controls over financial reporting that occurred during the three months ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Management of capital:

The Company includes the following in its capital:

	September 30, 2008	December 31, 2007
Due to brokers	\$ 1,687	\$ 86,601
Bank indebtedness	921	674
Advances from officer	19,669	-
Advances from affiliated company	500	10,628
Shareholders' equity comprised of		
Share capital	267,848	236,126
Warrants and broker warrants	72,268	61,891
Contributed surplus	15,444	6,435
Retained earnings (deficit)	(90,009)	172,475
	\$ 288,328	\$ 574,830

The Company's objectives when managing capital are:

- (a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- (c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments;
- (b) utilizing leverage in the form of margin (due to brokers) and the Company's bank credit line (bank indebtedness);
- (c) raising capital through equity financings;
- (d) borrowing funds in the form of advances from related parties; and
- (e) purchasing the Company's own shares for cancellation pursuant to its normal course issuer bid.

The Company is not subject to any capital requirements imposed by a regulator. During the period, the Company reduced its use of leverage in line with the reduction of the value of the Company's investments. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at September 30, 2008.

Financial instruments:

The investment operations of Pinetree's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit, and liquidity risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Liquidity risk:

Liquidity risk is the risk that the Company will have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

The Company uses financial leverage (or "margin") when purchasing investments. Trading on margin allows the Company to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows the Company to increase its portfolio size by increasing the number and amount of investments through the use of leverage. However, if the market moves against the Company's positions and the Company's investments decline in value, the Company may be required to provide additional funds to its brokers, which could be substantial. Given the nature of the Company's business, the Company may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy the Company's obligations. Furthermore, if the Company is unable to provide the necessary funds within the time required, the Company's marginable investments may be involuntarily liquidated at a loss by its brokers to meet the obligations (and the Company may still be required to make up any additional shortfall in funds thereafter). The Company has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Company's investments in order to meet margin calls could have a materially adverse impact on the Company's operating results.

The Company manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow. The Company holds investments which can be converted into cash when required.

As at September 30, 2008, the Company was using margin of \$1,687 which was the maximum amount available on September 30, 2008. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2008:

Percentage of Change in Closing Bid Prices	Margin Available From % Increase in Closing Bid Price	Margin Available (Call) From a % Decrease in Closing Bid Price
2%	\$ 34	\$ (34)
4%	68	(68)
6%	103	(103)
8%	137	(137)
10%	172	(172)

(b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, in accordance with CICA Handbook Section 3855, Pinetree is required to mark to market its held-for-trading investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position. However, if values and liquidity of the Company's portfolio continues to deteriorate, the Company may find it necessary to raise additional capital under unfavourable conditions.

The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the natural resource industry: uranium, oil and gas, molybdenum, precious metals, potash and rare earths, and base metals. The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2008:

Percentage of Change in Closing Bid Prices	Change in Net After-tax Income (Loss) From % Increase in Closing Bid Price	Change in Net After-tax Income (Loss) From % Decrease in Closing Bid Price
2%	\$ 3,622	\$ (3,622)
4%	7,243	(7,243)
6%	10,865	(10,865)
8%	14,486	(14,486)
10%	18,108	(18,108)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. As at September 30, 2008, the Company had liabilities comprised of due to brokers, bank indebtedness, and advances from officer (collectively "interest risk liabilities"), which bore interest at rates fluctuating with the prime rate or overnight lending rate. All of the interest risk liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. Pinetree does not hedge against any interest rate risks.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the nine months ended September 30, 2008 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at September 30, 2008:

Change in Interest Rate	Change in Net After-tax Income (Loss) From an Increase in Interest Rate	Change in Net After-tax Income (Loss) From a Decrease in Interest Rate
0.25%	\$ (23)	\$ 23
0.50%	(45)	45
0.75%	(68)	68
1.00%	(91)	91

(d) Currency risk:

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time. The Company may have margin borrowings or financial instruments denominated in U.S. dollars, Australian dollars, South African rands, Hong Kong dollars, and British pounds.

A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the Company's obligations due to brokers and

increase or decrease the value of its financial instruments. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency exposure, although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments.

The following assets and liabilities were denominated in foreign currencies as at September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Denominated in U.S. dollars:		
Investments	\$ 20,928	\$ 39,827
Cash and cash equivalents	81	31
Due from brokers	-	2,737
Income taxes receivable	12	-
Due to brokers	(469)	-
Accounts payable and accrued liabilities	(18)	(31)
Income taxes payable	-	(60)
Net assets denominated in U.S. dollars	20,534	42,504
Denominated in Australian dollars:		
Investments	7,131	13,140
Due to brokers	(440)	(506)
Net assets denominated in Australian dollars	6,691	12,634
Denominated in British pounds:		
Investments	219	410
Denominated in South African rands:		
Investments	-	234
Denominated in Hong Kong dollars:		
Investments	-	10

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the nine months ended September 30, 2008 from a change in all foreign currencies (Australian dollars, British pounds, and U.S. dollars) with all other variables held constant as at September 30, 2008:

Percentage of Change in Foreign Currencies	Change in Net After-tax Income (Loss) From an Increase in % in Foreign Currencies	Change in Net After - Tax Income (Loss) From a Decrease in % in Foreign Currencies
2%	\$ 365	\$ (365)
4%	730	(730)
6%	1,096	(1,096)
8%	1,461	(1,461)
10%	1,826	(1,826)

(e) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities (in connection with convertible or debt securities, for example) will not perform their underlying obligations.

The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. As at September 30, 2008, the total fair value of these investments was \$2,720. The Company believes it is not significantly exposed to credit risk as these investments comprise 1.1% of the Company's total investments.

(f) Fair value:

The Company has determined the fair value of its financial instruments as follows:

- (i) The carrying values of cash and cash equivalents, prepaids and other receivables, due to brokers, bank indebtedness, accounts payable and accrued liabilities, advances from officer, and advances from affiliated company in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments, equity accounted investments, and capital assets are carried at amounts in accordance with the Company's accounting policies. See "Accounting Policy For Valuing Investments" in this MD&A.
- (iii) Revenue is recognized in accordance with the Company's accounting policy.

Off-Balance Sheet Arrangements:

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Pinetree.

Outstanding Share Data:

The Company is authorized to issue an unlimited number of common shares (no par value).

As at November 14, 2008, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Pinetree are as follows:

Common shares	Number
Outstanding	131,313,988
Issuable under options	6,182,208
Issuable under warrants	20,513,650
Issuable under broker warrants	2,029,021
Total diluted common shares	160,038,867

Refer to note 8 of the Notes to the consolidated financial statements as at and for the three and nine months ended September 30, 2008 for details of the Company's share capital.

Normal Course Issuer Bid:

During the year ended December 31, 2007, Pinetree renewed its normal course issuer bid (the "NCIB") for its common shares. Pursuant to the terms of the NCIB, and in accordance with the rules of the TSX, during the period commencing September 26, 2007 and ending September 25, 2008, Pinetree may purchase up to 4,500,000 common shares, representing approximately 4.5% of the common shares outstanding as at September 19, 2007. Purchases will be made in open market transactions through the facilities of the TSX at market prices prevailing at the time of acquisition. Daily purchases may not exceed 201,477 common shares, except pursuant to a particular exemption under the TSX rules. All common shares purchased under the NCIB will be cancelled.

Pinetree did not purchase any common shares of the Company during the nine months ended September 30, 2008. The NCIB expired on September 25, 2008.

Segmented information:

The Company has a single reportable geographic segment – Canada - and all of the Company's capital assets are located in Canada.

Changes in Accounting Policies:

Since December 31, 2007, there have been no changes to Pinetree's accounting policies, except for the following policies which the Company has adopted or expects to adopt:

- (a) Effective January 1, 2008, the Company adopted prospectively the following new Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") accounting standards for interim and annual financial statements for fiscal years beginning on or after October 31, 2007:
 - (i) CICA Handbook Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies, and processes for managing

- capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. See "Management of Capital".
- (ii) CICA Handbook Section 3862, Financial Instruments – Disclosures, which requires disclosure of information related to the significance of financial instruments to a company's financial position and performance. A company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed. See "Financial Instruments".
 - (iii) CICA Handbook Section 3863, Financial Instruments – Presentation, which establishes standards for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial assets and financial liabilities are offset. The initial adoption of this standard did not have a material effect on the financial position or earnings of the Company.
- (b) The CICA issued a new accounting standard, Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, as a result, start-up costs must be expensed as incurred. Section 1000, Financial Statement Concepts, was also amended to provide consistency with the new standard. These new standards are effective for years beginning on or after October 1, 2008. The Company is currently assessing the impact of these standards on its consolidated financial statements.
 - (c) On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to start using International Financial Reporting Standards ("IFRS"). The transition will affect interim and annual financial statements relating to years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

Accounting Policy for Valuing Investments:

The Company values its investments, in which the Company owns an equity interest of less than 20%, at fair value. Investments in entities in which the Company owns an equity interest of between 20% and 50% are accounted for using the equity method of accounting. Details of each of the investment valuation methods are provided below. For details of all of Pinetree's accounting policies, refer to note 2 of the Notes to the audited consolidated financial statements as at and for the years ended December 31, 2007 and 2006.

(a) Investments Valued Using Fair Value Method:

At the end of each financial reporting period, the Company's management estimates the fair value of investments, all of which are classified as held-for-trading, based on the criteria below and reflects such valuations in the consolidated financial statements.

- (i) Publicly-traded issuers (i.e., securities of issuers that are public companies):

1. Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair value based on quoted closing bid prices on the last day of the financial reporting period or the closing bid price on the last day the security traded if there were no trades on the last day of the financial reporting period.
2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction.
3. For warrants which are not traded on a recognized securities exchange (and, accordingly, which do not have a market value that is readily available), a valuation technique is used when there are sufficient and reliable observable market inputs. If no such market inputs are available, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying stock on the last day of the financial reporting period less the exercise price of the warrant, and zero.

(ii) Privately-held investments (securities of issuers that are not public companies):

All privately-held investments are initially recorded at cost (other than options and warrants of private companies which are carried at nil), being the fair value at the time of acquisition. Thereafter, at the end of each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation techniques described below.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

The following circumstances are used to determine if the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to the events described below which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. Absent the occurrence of any of these events or any significant change in general market conditions, the fair value of the investment is left unchanged.

The fair value of a privately-held investment may be adjusted upward if:

1. There has been a significant subsequent equity financing provided by outside investors, at a valuation above the current fair value of the investee company, in

which case the fair value of the investment is set to the value at which that financing took place; or

2. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

- i. Political changes in a country in which the investee company operates which, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
- ii. receipt by the company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);
- iii. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
- iv. release by the investee company of positive exploration results, which either proves or greatly expands their resource prospects; and
- v. important, positive management changes by the investee company that we believe will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

The fair value of a privately-held investment may be adjusted downward if:

1. There has been a significant subsequent equity financing provided by outside investors, at a valuation below the current fair value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
2. the investee company is placed into receivership or bankruptcy;
3. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern; or
4. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

- i. Political changes in a country in which the investee company operates which increases the tax burden on companies, which prohibit mining where it was previously allowed, which increases the need for permitting or approvals, etc.
- ii. denial of the investee company's application for environmental, mining, aboriginal or similar approvals which prohibit the investee company from proceeding with its projects;
- iii. the investee company releases negative exploration results; and
- iv. changes to the management of the investee company take place which the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

(iii) Other investment instruments:

Included in Pinetree's investments are certain instruments that are accounted for as follows:

1. Convertible debentures and convertible notes are carried as though converted to common shares.
2. Cumulative dividends expected to be received are included in the fair value of each investment.

The resulting values for unlisted securities (whether of public or private issuers) determined in accordance with the foregoing methods, may not be reflective of the proceeds that could be realized upon their disposition.

(b) Investments Valued Using The Equity Method:

Investments in which the Company has significant influence, but does not control (i.e., equity interests of between 20% and 50%), are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income and losses of such investments are included in the consolidated statements of operations.

Critical Accounting Estimates:

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets

and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's consolidated financial statements include the Company's valuation of its privately-held investments and the Company's estimate of inputs for the calculation of the value of stock-based compensation expense.

Valuation of Privately-held Investments

The Company values its privately-held investments as described in "Accounting Policy For Valuing Investments" elsewhere in this MD&A. The valuation of privately-held investments ("private investments") requires management to base its review of the current financial status of private investments on potentially incomplete or unaudited financial information provided by the investee company, on management's general knowledge of the private investment's activities, and on any political or economic events that may impact the private investment. In addition to any events or circumstances that may affect the fair value of a particular private investment, management must evaluate general market conditions that may affect the fair value of either a particular private investment or of a group, segment or complete portfolio of private investments. In the quarter ending September 30, 2008, in addition to any fair value revisions for individual private investments, management felt that the fair value of the Company's overall portfolio of privately-held investments should be reduced by 50%, or \$24,547, to reflect the overall market declines in the fair value of the types of companies which comprise our portfolio of privately-held investments. This had the effect of increasing the net unrealized losses in the quarter by \$24,547, increasing net loss in the quarter by \$16,631 (tax effected) and reducing shareholders equity by \$16,631.

Stock-based Compensation Expense

The Company uses the Black-Scholes option pricing model to calculate stock-based compensation expense and the warrants and broker warrants in the Company's private placements. The model requires six key inputs: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. The first four inputs are facts not estimates, while the expected life and expected volatility are based on the Company's estimates. A higher expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The following table summarizes stock options granted during the nine months ended September 30, 2008:

Date Granted	Options Granted	Exercise Price	Expiry
April 11, 2008	1,472,500	\$ 3.14	April 10, 2013
June 17, 2008	50,000	2.82	June 16, 2013
Total granted	1,522,500		

The fair value of the options granted during the nine months ended September 30, 2008 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	95.7 – 97.5%
Expected dividend yield	0.0%
Risk-free interest rate	3.25%
Expected option life in years	3.5
Fair value per stock option granted on April 11, 2008	\$ 2.04
Fair value per stock option granted on June 17, 2008	\$ 1.86

Use of Non-GAAP Measures:

This MD&A contains references to “net asset value per share” (basic and diluted) (“NAV”) which is a non-GAAP measure. NAV (basic) is calculated as total shareholders’ equity divided by the total number of common shares of the Company outstanding. NAV (diluted) is calculated as total shareholders’ equity divided by the total number of common shares of the Company outstanding, calculated based upon the assumption that all outstanding options, warrants, and broker warrants of the Company have been exercised. The term net asset value per share does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. The Company has calculated NAV consistently for many years and believes that the measure provides information useful to the Company’s shareholders in understanding its performance, facilitates the comparison of the quarterly and year-end results of the Company’s ongoing operations and provides a meaningful measure to evaluate the Company’s business relative to that of its peers.

Additional Information:

Additional information relating to Pinetree Capital Ltd., including its annual information form for the Company’s most recently completed financial year, is available under the Company’s profile on SEDAR at www.sedar.com.