



Management's Discussion and Analysis

For the Year Ended: December 31, 2009

Date of Report: March 8, 2010

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 years ended December 31, 2009 and 2008. Accounting policies followed in the preparation of the annual consolidated financial statements are disclosed in note 2 of the Notes to the audited consolidated financial statements as at and for the years ended December 31, 2009 and 2008. See "Significant Accounting Policies" elsewhere in this MD&A.

All financial data in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("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 securities and per share amounts.

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 contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities, our ability to utilize our future tax assets, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

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 and our ability to generate taxable income from operations, market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in

the countries in which the interests of the Company's portfolio investments are located, and other risks included elsewhere in this MD&A under the headings "Risks" and "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 under Pinetree's profile 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, junior resource exploration market. Pinetree's investments are primarily in the following resource sectors: Uranium, Oil & Gas, Precious Metals, Base Metals and Potash, Lithium and Rare Earths. 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:

Capital raising activity in the junior resource sector increased during 2009, presenting many investment opportunities for Pinetree. The Company purchased an additional \$76,471 of investments in the fourth quarter, as compared to \$7,521 of investments in the same quarter of 2008, and \$203,117 of additional investment in the full year (2008- \$185,680) reflecting the increased investment opportunities. During the current quarter, the Company had cash proceeds of \$53,384 from the disposition of investments as compared to cash proceeds of \$5,412 from the disposition of investments in the prior year quarter. The Company used additional margin to fund purchases of investments that exceeded the cash received on dispositions of investments.

Selected financial information for the Company for the indicated periods is provided below:

Operating Results	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Gains/(losses) on disposal of investments, net	\$ 9,661	\$ (3,022)	\$ (22,426)	\$ (4,607)
Unrealized gains (losses) on investments, net	28,122	(99,105)	229,344	(417,934)
Gains on disposal of equity accounted investments	-	-	370	-
Losses from equity accounted investments	(77)	(2,247)	(116)	(6,234)
Net investment gains (losses)	37,706	(104,374)	207,172	(428,775)
Net income (loss) for the period	20,294	(93,564)	157,393	(356,048)
Earnings (loss) per common share – basic	0.15	(0.71)	1.19	(2.92)
Earnings (loss) per common share – diluted	0.15	(0.71)	1.18	(2.92)

The Company's net investment gains for the three months ended December 31, 2009 were comprised primarily of net unrealized gains on the Company's investments recognized in accordance with mark-to-market accounting rules. The net unrealized gains arise from an overall increase in the stock prices of our portfolio companies during the current period and the reversal of previously recognized unrealized losses on the disposal of investments.

For the three months ended December 31, 2009, the Company had net income of \$20,294 (\$0.15 per basic share) as compared to a net loss of \$93,564 (\$0.71 per basic share) for the same period last year. For the twelve months ended December 31, 2009, the Company had net income of \$157,393 (\$1.19 per basic share) as compared to a net loss of \$356,048 (\$2.92 per basic share) last year. The increased net income for the quarter and full year was primarily attributable to increased net unrealized gains on investments recognized in accordance with the mark-to-market accounting rules.

As at December 31, 2009, the Company held investments at fair value and equity accounted investments totaling \$368,635 as compared to \$137,536 as at December 31, 2008 (a 168.0% increase). The increase in the fair value of the Company's investments was due to the increase in stock prices (as noted above) and by net purchases of investments.

As at December 31, 2009, shareholders' equity stood at \$342,692 as compared \$174,210 as at December 31, 2008 (an 96.7% increase). The increase was primarily from net investment gains of \$207,172 during the year as compared to net investment losses of \$428,775 last year.

Investments:

(a) Investments at cost and fair value consist of the following as at December 31,:

Sectors:	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Resources:				
Precious metals	\$ 177,672	\$ 158,027	\$ 186,891	\$ 50,540
Base metals	155,576	71,711	157,577	26,688
Uranium	132,812	49,066	147,117	26,953
Oil & gas	52,668	34,404	40,052	10,066
Potash, lithium and rare earths	30,236	27,103	10,220	3,658
Technology and other	25,308	16,745	28,999	8,205
Biotechnology	10,072	4,478	13,352	5,493
Energy related technology	17,238	5,190	15,710	2,366
Total investments	\$ 601,582	\$ 366,724	\$ 599,918	\$ 133,969

The following is the number of investments in each sector as at December 31,:

Resources:	2009		2008	
		<u>% of Total</u>		<u>% of Total</u>
Precious metals	144	33.5	154	36.1
Base metals	105	24.5	93	21.7
Uranium	60	14.0	79	18.5
Oil & gas	46	10.7	41	9.6
Potash, lithium and rare earths	28	6.5	7	1.6
Technology and other	26	6.1	34	8.0
Biotechnology	8	1.9	9	2.2
Energy related technology	12	2.8	10	2.3
	429	100.0	427	100.0

The total number of investments held by the Company and the allocation of investments by sector remained relatively constant year-to-year. As at December 31, 2009, 383 out of 429, or 89.3% (2008 – 87.6%), of the investments were in the resource sector. As at December 31, 2009, resource companies represented \$340,311 (92.8%) of the fair value of the investments as compared to \$117,905 (88.0%) as at December 31, 2008.

The fair value of the investments held by the Company as at December 31, 2009 increased by 173.7% to \$366,724 as compared to \$133,969 at the end of last year. The cost base of the Company's portfolio was \$601,582 as at December 31, 2009, as compared to \$599,918 as at December 31, 2008. As such, the cost of investments exceeded fair value by \$234,858 as at December 31, 2009 versus \$465,949 as at December 31, 2008, a 49.6% improvement. The improvement arose primarily from the unrealized gains of \$229,344 recorded during the current year due to an increase in fair value of the Company's investments and reversals of previously recognized unrealized losses.

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, and current market prices may differ significantly from the historical prices used to calculate fair value for the purposes of the Company's consolidated financial statements.

As at December 31, 2009, included in total investments were securities of private companies with a fair value totalling \$32,731 (8.9% of total fair value of the Company's investments; cost of \$41,346), as compared to fair value of \$14,270 as at December 31, 2008 (10.7% of total fair value of the Company's investments; cost of \$42,082). This reflects an overall increase in the fair value of the Company's private investments which is intended to approximate the general increase in the fair value of securities of public companies in the same sectors. The increase in fair value was determined in accordance with the Company's accounting policy for private company investments (see "Accounting Policy For Valuing Investments" and "Critical Accounting Estimates").

- (b) The following table presents the Company's financial instruments measured at fair value on the consolidated balance sheet as at December 31, 2009 categorized into levels of the fair value hierarchy in accordance with Section 3862 of the CICA Handbook and as described in the Changes in Accounting Policies section elsewhere in this MD&A:

	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
Assets				
Investments, at fair value	\$ 281,964	\$ 52,029	\$ 32,731	\$ 366,724
	281,964	52,029	32,731	366,724
Liabilities				
Class C preferred share liabilities, at fair value	-	\$ 373	-	\$ 373
	-	373	-	373

There were no significant transfers from Level 1 to 2 or Level 2 to 1 during the year ended December 31, 2009.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended December 31, 2009. These financial instruments are measured at fair value utilizing non-observable market inputs. The realized losses and net unrealized gains are recognized in the consolidated statement of operations.

	Opening balance, December 31, 2008	Net purchases	Realized losses	Net unrealized gains	Net transfer out of Level 3	Ending balance, December 31, 2009
Investments, at fair value	\$ 14,270	\$ 4,966	\$ (3,649)	\$ 18,856	\$ (1,712)	\$ 32,731

(c) Equity accounted investments consist of the following as at December 31,:

	2009	2008
Equity accounted investments - carrying value, beginning of year	\$ 3,567	\$ 19,555
Purchases of equity accounted investments	740	1,974
Proceeds on disposal of equity accounted investment	(2,650)	-
Gain on disposal of equity accounted investment	370	-
Losses from equity accounted investments	(116)	(6,234)
Dividend received from equity accounted investment	-	(11,728)
Equity accounted investments - carrying value, end of year	\$ 1,911	\$ 3,567
Equity accounted investments - cost	\$ 2,714	\$ 1,974
Number of equity accounted investments	4	3

During the year ended December 31, 2009, the Company purchased an additional 1,927,833 common shares of Western Troy Capital Resources Inc. ("Western Troy") for \$184, giving Pinetree a 29.2% equity interest in the company. As a result of having an ownership interest of greater than 20%, the Company is deemed to have significant influence over Western Troy and the Company is required to account for this investment using the equity method. As at December 31, 2009, the Company had a 24.2% equity interest in Western Troy.

During the year ended December 31, 2009, the Company sold an equity accounted investment, PowerOne Capital Markets Limited, a limited market dealer, to the Company's Chairman and Chief Executive Officer ("CEO") for total proceeds of \$2,650. The Company recognized a gain on the disposal of the equity accounted investment of \$370. Refer to "Related Party Transactions" section.

See "Accounting Policy For Valuing Investments" for details of how the Company values investments accounted for using the equity method. Refer to Note 4 to the audited consolidated financial statements as at and for the years ended December 31, 2009 and 2008 for additional details about the Company's investment portfolio.

Results of Operations:

The Company's selected annual information as at and for the three most recently completed financial years ended December 31 are as follows:

	2009	2008	2007
Net investment gains (losses)	\$ 207,172	\$ (428,775)	\$ (91,983)
Net income (loss) for the year	157,393	(356,048)	(91,605)
Earnings (loss) per share – basic	1.19	(2.92)	(0.94)
Earnings (loss) per share – diluted	1.18	(2.92)	(0.94)
Total assets	383,562	201,398	620,179
Total liabilities	40,870	27,188	143,252
Shareholders' equity	342,692	174,210	476,927

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

	Quarter ended (unaudited)			
	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Net investment gains (losses)	\$ 37,706	\$ 69,470	\$ 58,520	\$ 41,476
Net income (loss) for the period	20,294	63,847	44,653	28,599
Earnings (loss) per share – basic	0.15	0.48	0.34	0.22
Earnings (loss) per share – diluted	0.15	0.48	0.34	0.22

	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Net investment gains (losses)	\$ (104,374)	\$ (256,209)	\$ 13,905	\$ (82,097)
Net income (loss) for the period	(93,564)	(210,853)	4,774	(56,405)
Earnings (loss) per share – basic	(0.71)	(1.63)	0.04	(0.50)
Earnings (loss) per share – diluted	(0.71)	(1.63)	0.04	(0.50)

Three Months Ended December 31, 2009 and 2008:

For the three months ended December 31, 2009, the Company generated a net realized gain on disposal of investments of \$9,661, as compared to a loss of \$3,022 for the fourth quarter of 2008. The change reflects much improved market conditions at the end of the current period versus the previous year period.

The Company had net unrealized gains on investments of \$28,122 for the three months ended December 31, 2009, as compared to net unrealized losses on investments of \$99,105 for the same period in 2008. Net unrealized gains for the three months ended December 31, 2009, were comprised of \$11,538 from the write-up to market on the Company's investments and \$16,584 from the reversal of previously recognized net unrealized losses on the disposal of investments during prior periods. Of the total unrealized gains on investments during the current period, \$7,975 (28.4%) was related to the unrealized gains on the Company's private investments (as discussed above under "Investments"). Of the net unrealized losses for the three months ended December 31, 2008, \$107,909 from the write-down to market on the Company's investments and \$8,804 from the reversal of previously recognized net unrealized gains on the disposal of investments during the period.

For the three months ended December 31, 2009, the Company had losses from its equity accounted investments of \$77 as compared to losses from its equity accounted investments of \$2,247 for the same period in the prior year.

During the current quarter, other income totalled \$457, as compared to \$171 for the same period last year. Other income is comprised of \$147 (three months ended December 31, 2008 – \$146) from consulting fees and rental income and \$310 (three months ended December 31, 2008 - \$25) of interest income earned on certain of the Company's investments and interest on government tax refunds.

Operating, general and administrative expenses in the three months ended December 31, 2009 increased to \$8,985 from \$2,662 in the three months ended December 31, 2008, an increase of \$6,323. Excluding stock-based compensation expense and bonus accruals, operating, general and administrative expenses during the three months ended December, 2009 increased by 83.1% to \$1,829 from \$999, as described further below.

Following is the breakdown of operating, general and administrative expenses for the indicated three month periods ended December 31. Details of the changes between periods follow the table:

	Three months ended December 31,	
	<u>2009</u>	<u>2008</u>
Consulting fees and salaries expense (a)	\$ 6,641	\$ (55)
Stock-based compensation expense (b)	1,156	2,223
Professional fees (c)	388	177
Shareholder relations, transfer agent and filing fees	30	24
Travel, meals, and entertainment (d)	98	31
Rent and insurance expenses	128	122
Office and general (e)	544	140
	\$ 8,985	\$ 2,662

- (a) Consulting fees and salaries expense increased by \$6,696 from last year. The increase was primarily due to a special bonus accrual of \$6,000 to the CEO in the current quarter and a bonus accrual of \$560 made during the prior year which was reversed in the last quarter of 2008. Ignoring the reversal and special bonus, the remaining increase of \$136 was due to an increase in the number of consultants.
- (b) Stock-based compensation expense decreased by \$1,067. The decrease in the current quarter was a result of the termination of unvested stock options granted during prior periods and options which were fully vested and expensed in the prior 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. 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. Unvested terminated stock options are not expensed during the period.
- (c) Professional fees increased by \$211 for the quarter as compared to the fourth quarter of 2008, primarily due to an increase in fees related to the Company's audit, tax advisory, and IFRS advisory services.
- (d) Travel, meals, and entertainment increased by \$67 in the quarter, due primarily to an increase in travel activities under taken during the period, commensurated with increased investing activity.
- (e) Office and general increased by \$404 in the quarter. The increase was primarily due to an additional accrual of \$219 for capital tax, \$54 related to the Class C preferred shares liability as at December 31, 2009, an increase in brokerage fees and service charges of \$31, and an increase in information data and computer systems and general other expenses.

Transaction costs increased \$571 to \$614 from \$43 in the same quarter last year, due to a increase in the volume of trading conducted by the Company during the current quarter. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments. The Company continually evaluates its commission structure with its brokers to minimize its transaction costs.

During the three months ended December 31, 2009, the Company experienced a foreign exchange loss of \$190 on its foreign denominated net assets as compared to \$53 during the three months ended December 31, 2008. The net foreign exchange loss in the current period primarily arose due to the increase in the value of the Canadian dollar versus the U.S. dollar and the Australian dollar, which decreased the Canadian dollar equivalent value of the foreign currency denominated amounts during the period.

In December 2008, as part of the Company's capital management activities, Pinetree renegotiated an existing credit facility (the "Facility") provided by the Company's CEO, and reallocated its borrowings between the Facility and available margin from brokers, to provide for a more predictable and stable overall debt structure (though at a higher interest rate), in light of market volatility. Interest expense decreased to \$75 in the three months ended December 31, 2009, as compared to \$459 in the same period last year, due to an overall decline in the use of the Facility provided by the Company's CEO.

The Company recorded a provision for income taxes in the three months ended December 31, 2009 of \$7,972 as compared to a recovery of income taxes of \$13,897 in the three months ended December 31, 2008. The provision for income taxes in the current period was primarily due to a decrease in future income tax assets ("FTA") arising from a decrease in the excess of tax cost over fair value on investments held at the end of the period, partially offset by the tax effect of non-capital and capital losses carried forward.

Net income for the three months ended December 31, 2009 was \$20,294 (\$0.15 per share) versus net loss for the three months ended December 31, 2008 of \$93,564 (\$0.71 per share). The net income in the current period was primarily due to the increase in the fair value of the Company's investments in accordance with Pinetree's accounting policies.

Years Ended December 31, 2009 and 2008:

For the year ended December 31, 2009, the Company generated a net realized loss on disposal of investments of \$22,426, as compared to \$4,607 for the year ended December 31, 2008.

The Company had net unrealized gains on investments of \$229,344 for the year ended December 31, 2009, as compared to net unrealized losses on investments of \$417,934 last year, reflecting the significant overall improvements in the stock prices of the Company's investments in the year ending December 31, 2009. Net unrealized gains for the year ended December 31, 2009, were comprised of \$151,667 from the write-up to market on the Company's investments and \$77,677 from the reversal of previously recognized net unrealized losses on the disposal of investments during the period. Of the total net unrealized gains on

the Company's investments during the current year, \$18,856 (8.2%) was related to the unrealized gains on the Company's private investments (as discussed above under "Investments"). Of the unrealized net losses for the year ended December 31, 2008, \$425,219 arose from the net write-down to market on the Company's investments and \$7,285 from the reversal of previously recognized net unrealized losses on the disposal of investments.

For the year ended December 31, 2009, the Company had losses from its equity accounted investments of \$116 as compared to \$6,234 in the prior year. During the current year, the Company sold one equity accounted investment, PowerOne Capital Markets Limited ("PowerOne"), for a gain on disposal of equity accounted investment of \$370. Refer to the Related Party Transactions section elsewhere in this MD&A.

During the year ended December 31, 2009, other income totalled \$3,848, as compared to \$1,049 last year. Other income is comprised of \$3,388 (2008 – \$590) from consulting fees and rental income and \$460 (2008 - \$459) of interest income earned on certain of the Company's investments and tax refunds. Included in consulting fees were fees of \$2,800 charged to Powerone, under a services agreement between the Company and PowerOne.

Operating, general and administrative expenses in the year ended December 31, 2009 decreased to \$15,522 from \$15,858 last year. The decrease of \$336 in the current year resulted primarily from a decrease of \$7,152 in stock-based compensation expense partially offset by a special bonus accrual of \$6,000 payable to the CEO. Excluding stock-based compensation expense and the special bonus accrual, operating, general and administrative expenses in the current year increased by 18.2% to \$5,299 from \$4,483, as described further below.

Following is the breakdown of operating, general and administrative expenses for the indicated years ended December 31. Details of the changes between periods follow the table:

	Twevle months ended December 31,	
	<u>2009</u>	<u>2008</u>
Consulting fees and salaries expense (a)	\$ 8,238	\$ 2,073
Stock-based compensation expense (b)	4,223	11,375
Professional fees (c)	769	504
Shareholder relations, transfer agent and filing fees (d)	262	319
Travel, meals, and entertainment	252	215
Rent and insurance expenses	508	493
Office and general (e)	1,270	879
	<u>\$ 15,522</u>	<u>\$ 15,858</u>

- (a) Consulting fees and salaries expense increased by \$6,165 as compared to last year. The increase was primarily due to a special bonus accrual of \$6,000 payable to the CEO. See Related Party Transactions section.
- (b) Stock-based compensation expense decreased by \$7,152. The decrease in the current year was a result of the termination of unvested stock options granted during prior periods and options which were fully vested and expensed in the prior 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. 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. Unvested terminated stock options are not expensed during the period.

- (c) Professional fees increased by \$265 in the current year as compared to 2008, primarily due to a increase in the cost of tax advisory and IFRS advisory services.
- (d) Shareholder relations, transfer agent and filing fees decreased by \$57 during the year. The decrease is primarily due to a reduction in public relations costs and newswire service fees.
- (e) Office and general increased by \$391 in the year. The increase was primarily from an accrual of \$385 for the estimated capital tax payable and \$54 related to the Class C preferred shares liability as at December 31, 2009.

Transaction costs increased 19.4% to \$1,491 from \$1,249, due to a increase in the volume of trading conducted by the Company. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments. The Company continually evaluates its commission structure with its brokers to minimize its transaction costs.

During the year ended December 31, 2009, the Company had a foreign exchange loss of \$1,571 on its foreign denominated net liabilities as compared to \$191 during the year ended December 31, 2008. The net foreign exchange loss in the current period primarily arose due to the increase in the value of the Canadian dollar versus the U.S. dollar and the Australian dollar over the period, which increased the Canadian dollar equivalent of the foreign dollar due to brokers' amounts during the year.

In December 2008, as part of the Company's capital management activities, Pinetree renegotiated an existing Facility provided by the Company's CEO, and reallocated its borrowings between the Facility and available margin from brokers, to provide for a more predictable and stable overall debt structure (though at a higher interest rate), in light of market volatility. Interest expense decreased by 50.4% to \$1,766 in the year ended December 31, 2009, as compared to \$3,559 last year, due to a decrease on average of overall debt used during the year.

The Company recorded a provision for income taxes in the year ended December 31, 2009 of \$33,146 as compared to a recovery of income taxes of \$92,690 last year. The provision for income taxes in the current period was primarily due to a decrease in the FTA arising from a decrease in the excess of tax cost over fair value on investments held at the end of the year, partially offset by the tax effect of non-capital and capital losses carried forward. As at December 31, 2008, the Company had taken a valuation allowance equal to 50% of the FTA equivalent to \$43,754. As at December 31, 2009, the Company believes all of its FTA will be used against future taxable income and as result the Company reversed the valuation allowance of \$43,754 which had been recorded at the end of last year.

Net income for the year ended December 31, 2009 was \$157,393 (\$1.19 per share) versus net loss for the year ended December 31, 2008 of \$356,048 (\$2.92 per share). The net income in

the current year was primarily due to the increase in fair value of the Company's investments in accordance with Pinetree's accounting policies.

Cash Flow:
Three Months Ended December 31, 2009 and 2008

Net cash used in operating activities was \$928 in the three months ended December 31, 2009, compared to \$1,665 in the fourth quarter of last year, an improvement of \$737.

During the three months ended December 31, 2009, the Company generated cash from financing activities of \$24,353 as compared to \$3,710 in 2008. In the current period, cash was primarily generated from an increase in due to brokers of \$24,028. Pinetree's subsidiary, Pinetree Capital Investment Corp. ("PCIC"), also received gross proceeds of \$319 from brokered and non-brokered private placements during the quarter. During the same period last year, the Company received \$4,565 in advances from an officer (the Company's CEO) and repaid \$1,637 due to brokers.

Net cash used in investing activities was \$23,133 in the three months ended December 31, 2009 as compared to \$2,111 in the same period last year. During the current period, the Company had proceeds from disposition of investments of \$53,384, an increase of \$47,972, when compared to \$5,412 of proceeds from dispositions in the same period last year. The Company purchased \$76,471 of investments in the current quarter, an increase of \$68,950 as compared to \$7,521 of investment purchases in the three months ended December 31, 2008.

For the three months ended December 31, 2009, the Company had a net increase in cash and cash equivalents of \$292 as compared to a net decrease of \$66 during the three months ended December 31, 2008, leaving a cash and cash equivalents balance of \$404 as at December 31, 2009 as compared to a cash and cash equivalents balance of \$28 as at December 31, 2008.

Year Ended December 31, 2009 and 2008

Net cash generated in operating activities was \$9,982 in the year ended December 31, 2009, compared to net cash used in operating activities of \$15,050 in the year ended December 31, 2008. In the year ended December 31, 2009, the cash increase was primarily from the receipt of income tax receivable amounts.

During the year ended December 31, 2009, the Company generated net cash from financing activities of \$7,529 as compared to using cash of \$30,188 last year. During the current year, cash was generated from an additional \$33,623 in margin borrowings from brokers offset by the repayments of \$24,234 in advances from an officer (the Company's CEO) and \$1,250 from an affiliated company (PowerOne). The Company also repaid \$953 of the Company's bank credit line to reduce the outstanding balance to nil. In the same period last year, cash used in financing activities was primarily to repay \$86,551 of amounts due to brokers and advances from an affiliated company of \$9,378 offset by net cash proceeds of \$40,888 from a brokered private placement financing and \$24,234 in advances from an officer (the Company's CEO).

Net cash used in investing activities was \$17,135 in the year ended December 31, 2009 as compared to net cash generated of \$45,200 last year. During the current year, the Company had proceeds from disposition of investments of \$184,122, a decrease of \$37,087, when compared to \$221,209 of dispositions in the same period last year. The Company purchased \$203,117 of investments, an increase of \$17,437 as compared to \$185,680 of investment purchases in the year ended December 31, 2008. During the year ended December 31, 2008, the Company received a dividend of \$11,728 from an equity accounted investment. No such dividends were received in the current year.

For the year ended December 31, 2009, the Company had a net increase in cash and cash equivalents of \$376 as compared to a net decrease of \$38 during the year ended December 31, 2008, leaving a cash and cash equivalents balance of \$404 as compared to a cash and cash equivalents balance of \$28 as at December 31, 2008.

Liquidity and Capital Resources:

Pinetree relies upon various sources of funds for its ongoing operational and investing activities. These sources include proceeds from dispositions of investments, interest and dividend income from investments, consulting fees, capital raising activities such as private placement financings, and corporate borrowings from the Company's bank, brokers (margin account) and related parties.

During the year ended December 31, 2009, as part of its ongoing capital management (see "Management of Capital" for details of the Company's approach to managing its capital resources), the Company repaid its advances from affiliated company, reduced amounts used from the Facility with the CEO to zero and increased margin borrowings in view of the lower interest rates charged on its margin accounts than under the Facility, which remains available for drawdown at the Company's option. The Facility was due to mature on December 15, 2009 but has been extended to March 31, 2010 and management is considering the optimal means of replacement and/or renewal of the Facility in view of existing circumstances and opportunities. Although there is currently nothing owing under the Facility, the Company may draw funds under it which would be required to be repaid on March 31, 2010 unless the term of the Facility is extended. The Company is currently reviewing its options with respect to the Facility and is managing its borrowings with Facility's expiry date in mind.

Pinetree believes it will be able to generate sufficient cash to fund its operations through normal course sales of existing investments and from existing credit facilities.

Consolidated Balance Sheet Highlights	December 31, 2009	December 31, 2008
Investments, at fair value	\$ 366,724	\$ 133,969
Equity accounted investments	1,911	3,567
Total assets	383,562	201,398
Total liabilities	40,870	27,188
Share capital, warrants and broker warrants and contributed surplus	368,872	357,783
Deficit	(26,180)	(183,573)

Net asset value per share – Basic	\$ 2.53	\$ 1.33
Net asset value per share – Diluted	\$ 2.05	\$ 1.09

Equity accounted investments, together with the fair value of the Company's portfolio, increased to \$368,635 from \$137,536 as at December 31, 2008, an increase of 168.0%. Net asset value per share (basic) increased 93.2% to \$2.57 from \$1.33 as at December 31, 2008. (See "Use of Non-GAAP Measures" elsewhere in this MD&A.)

The Company's publicly-traded investments are listed on various stock exchanges (or quotation systems), including those in Canada, the United States, Australia and England, thereby offering potential sources of liquidity and cash flow for Pinetree. During the year ended December 31, 2009, the Company disposed of investments for proceeds of \$184,122, and purchased investments totaling \$203,117, as noted above in the Cash Flow section. The net cash required for the additional investments were from the use of margin accounts (due to brokers).

As at December 31, 2008, the Company had recorded an income tax receivable of \$18,985 related to estimated tax losses in the 2008 year which were carried back to recover prior years' taxes paid and to the expected refund on a notice of objection filed with the Ontario Ministry of Finance ("OMF") by Company's wholly-owned subsidiary, Genevest Inc. The notice of objection was successful and Genevest was granted the full expected refund. During the year ended December 31, 2009, the Company received \$16,014 of the income tax refund and subsequent to December 31, 2009, received the balance of the refund including interest.

Liabilities:

As at December 31, 2009, total current liabilities increased to \$40,870 as compared to \$26,929 as at December 31, 2008, a 51.8% increase. The increase was primarily due to an increase in amounts due to brokers of \$33,623 and a special bonus accrual of \$6,000 payable to the CEO, offset by a decrease in bank indebtedness and advances from officer and advances affiliated company.

- (a) As at December 31, 2009, the Company had used margin (due to brokers) of \$33,673 as compared to \$50 as at December 31, 2008, an increase of \$33,623. Due to brokers consists of margin borrowings collateralized by the Company's investments held at brokers. 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 equal to the broker's overnight rate plus a percentage ranging from 0.15% to 1.25%, depending on the amount of margin used.
- (b) During the year ended December 31, 2009, Pinetree's subsidiary, PCIC, completed brokered and non-brokered private placements of an aggregate of 31,900 Class C Shares of PCIC at price of \$10 per share for gross proceeds of \$319. PCIC is authorized to issue an unlimited number of Class A preferred shares, Class B preferred shares, Class C Shares, and common shares. Pinetree owns directly and indirectly all Class A preferred shares, Class B preferred shares, and common shares of PCIC.

As at December 31, 2009, 31,900 Class C Shares were issued and outstanding. The Class C Shares are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter. The Class C Shares redemption and retraction prices are linked to the market price of the Company's common shares, subject to a minimum redemption price (at any time) and minimum retraction price (until the first anniversary of issue) of \$10 per share. As at December 31, 2009, both the redemption price and the retraction price in effect was \$11.69 per share and the Company recorded an increase in fair value of the Class C Shares of \$54 which was expensed in the consolidated statement of operations. As at December 31, 2009, the Company had Class C preferred share liabilities of \$373 relating to the Class C Shares.

- (c) As at December 31, 2009, the Company had accrued future income tax liabilities of nil as compared to \$259 as at December 31, 2008. The future income tax liability was primarily attributable to applying the expected tax rate for future periods of 29.63% to the excess of fair value over tax cost on certain investments held at December 31, 2009.
- (d) The Company has an operating line of credit with Royal Bank of Canada ("RBC") for up to \$1,000, collateralized by the Company's assets, which it uses from time to time. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand. As at December 31, 2009, the Company had repaid all outstanding amounts used on the operating line (2008 - \$953).
- (e) From time to time, the CEO advances funds to Pinetree. On December 15, 2008, the Company entered into a \$25,000 Facility with the CEO. The Facility is secured under a General Security Agreement (the "GSA"), which covers all present and future tangible and intangible property of the Company subject to any security interests ranking in priority thereto, which would include the security interests underlying the Company's operating line of credit with RBC and in favour of the Company's brokers in respect to its margin borrowings. The Facility matures on March 31, 2010, bears interest at a rate of 1% per month on the outstanding principal amount and has a standby fee of 0.25% per annum on the undrawn portion of the Facility calculated daily and payable monthly in arrears.

During the year ended December 31, 2009, a maximum balance of \$24,549 was outstanding under the Facility. Included in the consolidated statements of operations is \$1,532 (2008 - \$1,133) of interest expense relating to this balance owing under the Facility during the period. As at December 31, 2009, the Company had repaid the principal and interest owing under the Facility. See "Related Party Transactions" section.

- (f) As at December 31, 2008, the Company had advances of \$1,250 from PowerOne which were repaid during the first quarter of 2009.

Commitments:

As at December 31, 2009, the Company had material commitments for cash resources of \$43,577 which are detailed below and all of which are due on demand. The disposition of the Company's investments in the normal course would be sufficient to pay these material commitments.

A breakdown of the Company's liabilities and obligations as at December 31, 2009 is as follows:

Liabilities and Obligations	Payments Due by Period				
	Total	Less than 1 year	1 – 3 year	4 – 5 years	After 5 years
Due to brokers	\$ 33,673	\$ 33,673	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	6,824	6,824	-	-	-
Class C preferred share liabilities	373	373	-	-	-
Lease commitments	2,707	650	2,057	-	-
	\$ 43,577	\$ 41,520	\$ 2,057	\$ -	\$ -

The Class C Shares are redeemable and/or retractable at any time. PCIC does not intend to retract the Class C Shares in the foreseeable future.

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 \$74 per month that are automatically renewed 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 years ended December 31:

Type of service	Nature of relationship	2009	2008
Consulting fees (a)	Director, shareholders, and officers	\$ 7,135	\$ 978
Director's fees	Directors	136	113
Interest expense (b)	Director, shareholder, and officer	1,532	1,133
Other income (c)	Affiliated companies	3,388	590
Realized gains (losses) on disposal of investments (d)	Affiliated companies	406	(21,437)
Realized gains on disposal of equity accounted investments (e)	Director, shareholder, and officer	370	-
Dividend income (e)	Affiliated company	-	11,728

- (a) Consulting agreements are with the Company's Chairman and Chief Executive Officer ("CEO"), Vice President - Legal & Corporate Affairs, and Vice President - Business

Development. In addition to his regular consulting fees, the Company has accrued a special bonus to the CEO of \$6,000 in recognition of the positive results achieved by the Company during the 2009 fiscal year. The costs relating to these agreements and the special bonus are included in operating, general and administrative expenses. Subsequent to December 31, 2009, the CEO's consulting agreement was terminated and an employee agreement was signed between the CEO and the Company.

- (b) From time to time, the CEO advances funds to Pinetree as part of the Company's capital management strategy. During the year ended December 31, 2009, a maximum balance of \$24,549 was outstanding under the Facility as discussed previously. Included in the consolidated statements of operations is \$1,532 (2008 - \$1,133) of interest expense relating to this balance. As at December 31, 2009, there was no balance owing under the Facility. See the Liabilities section elsewhere in this MD&A for details of the Facility.
- (c) Other income relates to consulting, sublease, and services agreements of approximately \$3,388 (2008 - \$590) from companies in which Pinetree has a common director and common officers. 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.
- (d) During the year ended December 31, 2009, 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". The Company sold its investments for total proceeds of \$1,348 (2008 - \$12,816) and the Company recognized an aggregate realized gain of \$406 (2008 - aggregate realized loss of \$15,195) on the sales. During the year ended December 31, 2009, the Company also purchased certain investments from Mega, at market, for a total cost of \$1,880.

During the year ended December 31, 2008, the Company sold certain of its investments at market price 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 ("TSXV") under the symbol "BWN". Total proceeds from the sales were \$25,134 and the Company recognized an aggregate realized loss of \$6,242 on the sales.

The Company's sales and purchases of investments to and from Mega and Brownstone were done in the normal course of the Company's investment and divestment decisions.

- (e) During the year ended December 31, 2009, the Company sold an equity accounted investment, its 50% interest in PowerOne with a carrying value of \$2,280 to the Company's CEO for total consideration of \$2,650, in order to divest of an asset which did not fit with Pinetree's core business. The Company recognized a gain on the

disposal of the equity accounted investment of \$370. During the year ended December 31, 2008, the Company received dividend income of \$11,728 from PowerOne.

- (f) As at December 31, 2009, the Company had a loan receivable from an officer of the Company totaling \$75. The loan bears interest at RBC's prime rate plus 1% per annum, compounded monthly. The loan was used by the officer to purchase investments, is collateralized by the investments and was repaid in full subsequent to December 31, 2009.
- (g) During the year ended December 31, 2009, the Company granted the following options to officers and directors of the Company:

Date Granted	Options Granted	Exercise Price	Expiry
April 1, 2009	1,375,000	\$ 1.29	March 31, 2014
June 30, 2009	50,000	1.73	June 29, 2014
September 1, 2009	2,330,000	1.46	August 31, 2014
December 1, 2009	50,000	2.07	November 30, 2014
Total granted	3,805,000		

Internal Controls Over Financial Reporting:

Disclosure Controls and Procedures

The Company is required annually to review and report on the effectiveness of its disclosure controls and procedures ("DC&P") in accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", ("NI 52-109") issued by the Canadian Securities Administrators. NI 52-109 requires a Chief Executive Officer ("CEO") and a Chief Financial Officer ("CFO") to certify that they are responsible for establishing and maintaining DC&P for the issuer, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's DC&P, and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

The CEO and CFO have evaluated the design of the Company's DC&P as at December 31, 2009 and have concluded that the DC&P were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate.

Accordingly, the Company's DC&P are effective in providing reasonable, not absolute, assurance that the objectives of our disclosure control system have been met.

Internal Controls Over Financial Reporting

NI 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR") for the issuer, that the ICFR have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its ICFR.

The design and operating effectiveness of the Company's ICFR were evaluated by the CEO and CFO in accordance with criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and NI 52-109, as at December 31, 2009. The CEO and CFO have evaluated the ICFR as at December 31, 2009. The CEO and CFO have not identified in their review any weaknesses that has materially affected or is reasonably likely to materially affect Pinetree's ICFR. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective in providing reasonable assurance that its financial reporting is reliable and its consolidated financial statements were prepared in accordance GAAP.

There were no changes in the Company's ICFR that occurred during the three months ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

Management of Capital:

The Company includes the following in its capital as at December 31:

	2009	2008
Due to brokers	\$ 33,673	\$ 50
Bank indebtedness	-	953
Advances from officer	-	24,234
Advances from affiliated company	-	1,250
Class C preferred share liabilities, at fair value	373	-
Shareholders' equity comprised of		
Share capital	274,725	267,848
Warrants and broker warrants	67,139	72,268
Contributed surplus	27,008	17,667
Deficit	(26,180)	(183,573)
	\$ 376,738	\$ 200,697

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 its 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; and
- (d) utilizing a Credit Facility from the CEO and borrowing funds in the form of advances from related parties.

The Company is not subject to any capital requirements imposed by a regulator. When using margin for its investing activities, however, Pinetree is subject to the margin requirements applicable thereto, which can require, at any time and from time to time, that the Company provide additional funds to its brokers depending upon the then-value of its investments purchased on margin.

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its shares. However, the holders of the Class C Shares issued by PCIC are to receive cumulative dividends at a rate of 5% per annum until December 31, 2010 and at a rate of 8% per annum thereafter with the first dividend payable on June 30, 2010. 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 December 31, 2009.

Financial Instruments:

Financial Instrument Risk

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 liquidity, market, interest rate, currency and credit 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 become 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 lesser proceeds of disposition and 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. Pinetree invests significantly in securities of "junior" issuers, which can at times be relatively illiquid, and if the Company decides to dispose of securities of a particular issuer it may not be able to do so at the time at favourable prices or at all.

Overall, 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, such that absent overall market disruptions or extreme circumstances, liquidity risk can be minimized.

The Company uses varying levels of 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 material 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 given its daily margin availability. The Company holds investments which can be converted into cash when required.

As at December 31, 2009, the Company had used margin of \$33,673 and had additional margin available of \$1,831. 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 December 31, 2009:

Percentage of change in closing bid prices	Margin available with a % increase in closing bid price	Margin available with a % decrease in closing bid price
2%	\$ 2,017	\$ 1,645
4%	2,204	1,459
6%	2,390	1,272
8%	2,576	897
10%	2,762	101

As at December 31, 2008, the Company had used margin of \$50 and had additional margin available of \$1,148. 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 December 31, 2008:

Percentage of change in closing bid prices	Margin available from a % increase in closing bid price	Margin available from a % decrease in closing bid price
2%	\$ 1,179	\$ 1,117
4%	1,209	1,086
6%	1,240	1,056
8%	1,271	1,025
10%	1,301	994

As at December 31, 2009, the Company also has Class C preferred share liabilities of \$373 related to the potential redemption and/or retraction of Class C Shares. The prices at which redemption/retraction rights may be exercised are based on the volume weighted average trading ("VWAT") price per share of the Company's common shares on the TSX for the applicable 20-day trading period (note 10), subject to a minimum redemption price of \$10 per Class C Share during the first year after issue.

The actual redemption/ retraction price in effect as at December 31, 2009 was \$11.69 per share. The following table shows the estimated sensitivity of the Company's Class C preferred share liability amounts based on different 20-day VWAT prices of the Company's common shares as at December 31, 2009:

Pinetree's 20-day VWAT trading price	Redemption/ retraction value per Class C Share	Total Class C preferred share liabilities related to the redemption/retraction of Class C Shares	Increase in Class C preferred share liabilities
\$ 1.87	\$ 10.00	\$ 319	\$ 0
2.00	10.71	342	23
2.25	12.05	384	65
2.50	13.39	427	108
2.75	14.73	470	151
3.00	16.06	512	193
3.25	17.40	555	236
3.50	18.74	598	279
3.75	20.08	641	322
4.00	21.42	683	364

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at December 31, 2009:

Liabilities and obligations	Payments Due by Period				
	Total	Less than 1 year	1 – 3 year	4 – 5 years	After 5 years
Due to brokers	\$ 33,673	\$ 33,673	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	6,824	6,824	-	-	-
Class C preferred share liabilities	373	373	-	-	-
	\$ 40,870	\$ 40,870	\$ -	\$ -	\$ -

(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.

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, precious metals, potash, lithium 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. During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the year ended December 31, 2009 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2009:

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%	\$ 6,248	\$ (6,248)
4%	12,496	(12,496)
6%	18,744	(18,744)
8%	24,992	(24,992)
10%	31,240	(31,240)

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the year ended December 31, 2008 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 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%	\$ 1,835	\$ (1,835)
4%	3,671	(3,671)
6%	5,506	(5,506)
8%	7,341	(7,341)
10%	9,177	(9,177)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's income and liabilities. As at December 31, 2009, the Company had due to brokers (margin) which bears interest at rates fluctuating with the prime rate or overnight lending rate. The Company's obligations under the Credit Facility bear interest at a fixed 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 risk.

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2009 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2009:

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%	\$ (29)	\$ 29
0.50%	(58)	58
0.75%	(87)	87
1.00%	(116)	116

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 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%	\$ (73)	\$ 73
0.50%	(147)	147
0.75%	(220)	220
1.00%	(294)	294

(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, 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 December 31:

	2009	2008
Denominated in U.S. dollars:		
Investments	\$ 11,885	\$ 6,102
Cash and cash equivalents	11	26
Due from brokers	24	53
Prepays and other receivables	129	92
Due to brokers	(139)	(6)
Accounts payable and accrued liabilities	(22)	(11)
Net assets denominated in U.S. dollars	11,888	6,256
Denominated in Australian dollars:		
Investments	11,335	4,365
Due to brokers	(443)	(61)
Net assets denominated in Australian dollars	10,892	4,304
Denominated in British pounds:		
Investments	86	187
Net assets denominated in British pounds	86	187

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2009 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2009:

Percentage of change in U.S. dollar	Change in net after-tax income (loss) from an increase in % in the U.S. dollar exchange rate	Change in net after - tax income (loss) from a decrease in % in the U.S. dollar exchange rate
2%	\$ 159	\$ (159)
4%	319	(319)
6%	479	(479)
8%	637	(637)
10%	796	(796)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2009 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2009:

Percentage of change in Australian dollar	Change in net after-tax income (loss) from an increase in % in the Australian dollar exchange rate	Change in net after - tax income (loss) from a decrease in % in the Australian dollar exchange rate
2%	\$ 146	\$ (146)
4%	292	(292)
6%	438	(438)
8%	584	(584)
10%	730	(730)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2009 from a change in the British pounds exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2009:

Percentage of change in British pounds	Change in net after-tax income (loss) from an increase in % in the British pounds exchange rate	Change in net after - tax income (loss) from a decrease in % in the British pounds exchange rate
2%	\$ 1	\$ (1)
4%	2	(2)
6%	3	(3)
8%	5	(5)
10%	6	(6)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2008:

Percentage of change in foreign currencies	Change in net after-tax income (loss) from an increase in % in the U.S. dollar exchange rate	Change in net after - tax income (loss) from a decrease in % in the U.S. dollar exchange rate
2%	\$ 83	\$ (83)
4%	166	(166)
6%	250	(250)
8%	333	(333)
10%	416	(416)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2008:

Percentage of change in foreign currencies	Change in net after-tax income (loss) from an increase in % in the Australian dollar exchange rate	Change in net after - tax income (loss) from a decrease in % in the Australian dollar exchange rate
2%	\$ 57	\$ (57)
4%	114	(114)
6%	172	(172)
8%	229	(229)
10%	286	(286)

(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 December 31, 2009, the total fair value of these investments was \$1,498. The Company believes it is not significantly exposed to credit risk as these investments comprise 0.4% of the Company's total investments.

Fair Value of Financial Instruments:

The method of calculating the fair value of Pinetree's financial instruments, and the assumptions made in determining the value, varies depending upon the nature of the instrument:

- (i) The carrying values of cash and cash equivalents, other receivables, due from/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 and Class C preferred share liabilities are carried at amounts in accordance with the Company's accounting policies.
- (iii) The Company does not have any other comprehensive income (loss) components and, as such, comprehensive income (loss) is equal to net income (loss).

The total amount of the change in fair value of the Company's financial instruments and the total amount of unrecognized gains and losses on its financial instruments, are discussed elsewhere in this MD&A, including under "Results of Operations". Assumptions made in

determining the fair value of the Company's financial instruments are discussed elsewhere in this MD&A under "Significant Accounting Policies'.

Risk Factors:

The Company's investing activities are, by their nature, subject to a number of inherent risks, including market, credit, liquidity and interest rate risks discussed elsewhere in this MD&A, and certain other risks that are described in our annual information form for our most recently completed financial year, all of which can have, and have had over recent reporting periods, a significant impact on the Company's financial condition and results of operations. Stock market volatility has resulted in and may continue to result in increased market risk and losses within our investment portfolio.

Some risks are described below. Additional risks not currently known to us, or that we currently believe to be immaterial, may also affect and negatively impact our business.

Portfolio Exposure:

Given the nature of the Company's activities, its results of operations and financial condition are dependant upon the market value of the securities that comprise the Company's portfolio. Market value can be reflective of the actual or anticipated operating results of our portfolio companies and/or the general market conditions that affect the sectors in which Pinetree invests. The Company's investment activities are currently concentrated primarily in the natural resource industry, with a current focus on the uranium, oil and gas, base metals and precious metals sectors. There are various factors that could affect these sectors which could have a negative impact on Pinetree's portfolio companies and thereby have an adverse effect on our business. Additionally, Pinetree's investments are mostly in small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows but which may not ever mature or generate the returns the Company expects or may require a number of years to do so. Junior exploration, biotechnology and technology companies may never achieve commercial discoveries and production. This may create an irregular pattern in the Company's revenues (if any). Additionally, macro factors such as fluctuations in commodity prices and global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, and a disproportionate effect on the sectors as compared to the overall market, thereby negatively impacting one or more of the portfolio companies concurrently. Company-specific risks, such as the risks associated with mining operations generally, could have an adverse effect on one or more of the Company's portfolio companies at any point in time. Company-specific and industry-specific risks which materially adversely affect Pinetree's portfolio investments may have a materially adverse impact on our operating results.

Cash Flows/Revenue:

Pinetree generates revenue and cash flows primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on the Company's investments. The availability of these sources of funds and the amount of funds generated from these sources are dependant upon various factors, most of which are outside of

the Company's direct control. The Company's liquidity and operating results may be adversely effected if access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to Pinetree, or if the value of the Company's investments decline, resulting in lesser proceeds of disposition and capital losses for Pinetree upon disposition.

Private Issuers and Illiquid Securities:

Pinetree invests in securities of private issuers. Investments in private issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. These limitations may impair Pinetree's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of Pinetree's private company investments or that the Company will otherwise be able to realize a return on such investments. Pinetree also invests in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Company may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

Share Prices of Investments:

Pinetree's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the control of Pinetree, including quarterly variations in the subject companies' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments and significantly negatively impact upon the Company's operating results.

Concentration of Investments:

There are no restrictions on the proportion of Pinetree's funds and no limit on the amount of funds that may be allocated to any particular investment (subject to board approval for investments in excess of a pre-determined threshold), industry or sector. Accordingly, the Company's investment activities may be highly concentrated in a particular company (or a limited number of companies), business, industry or sector, as a consequence of which, the

Company's financial results may be substantially adversely affected by the unfavourable performance of that single (or few) investment(s) or sector.

Dependence on Management:

Pinetree is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's continued success will depend upon the continued service of these individuals who are not obligated to remain employed with Pinetree. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm the Company's ability to maintain or grow existing assets and raise additional funds in the future.

Regulatory Investigations:

In December 2006, Pinetree was advised by staff of the Ontario Securities Commission that the Company and its CEO were the subjects of investigations involving manipulative trading and insider trading of securities of certain issuers in which the Company had portfolio investments. The Company received requests for information and co-operated with the Ontario Securities Commission in their investigations. While the Company and its CEO believe that it and he have acted appropriately, the Company is unable to determine the impact, if any, that these investigations may have on the Company, or on the financial position, or how or when the investigations will be concluded.

Additional Financing Requirements:

Pinetree anticipates ongoing requirements for funds to support the Company's growth and may seek to obtain additional funds for these purposes through public or private equity or debt financing. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any additional debt financing may result in increased interest expense or restrictions on our operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investment portfolio.

Management of our Growth:

Significant growth in Pinetree's business, as a result of acquisitions or otherwise, could place a strain on the Company's managerial, operational and financial resources and information systems. Future operating results will depend on the ability of senior management to manage rapidly changing business conditions, and to implement and improve the Company's technical, administrative and financial controls and reporting systems. No assurance can be given that Pinetree will succeed in these efforts. The failure to effectively manage and improve these systems could increase the Company's costs, which could have a material adverse effect on Pinetree.

Exchange Rate Fluctuations:

A significant portion of Pinetree's portfolio is invested in U.S. dollar denominated investments, as well as investments denominated in other foreign currencies. Changes in the value of the foreign currencies in which the Company investments are denominated could have a negative impact on the ultimate return on the Company's investments and overall financial performance.

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).

Subsequent to December 31, 2009, 200,000 stock options were exercised at \$0.60 per share for total proceeds of \$120.

As at March 8, 2010, 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	135,429,653
Issuable under options	10,112,740
Issuable under warrants	20,513,650
Issuable under broker warrants	722,771
Total diluted common shares	166,778,814

Refer to note 12 of the Notes to the consolidated financial statements as at and for the year ended December 31, 2009 for other details about the Company's share capital.

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, 2008, 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, 2009, the Company adopted prospectively the following new Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") accounting and reporting standards:
- (i) In January 2009, the CICA's Emerging Issues Committee concluded that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of incorporating credit risk into the fair value should result in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption. This abstract should be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. Retrospective application with restatement of prior periods is also permitted. The adoption of this standard did not impact the position or earnings of the Company.
 - (ii) The CICA Handbook 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. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The adoption of this standard did not impact the financial position or earnings of the Company.
 - (iii) In June 2009, the Canadian Accounting Standards Board ("AcSB") issued the amendments to CICA Handbook Section 3862, Financial Instruments - Disclosures, which reflect the corresponding amendments made by the International Accounting Standards Board to IFRS 7, Financial Instruments: Disclosures, in March 2009. The amendments require that all financial instruments measured at fair value be presented into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.
 - (1) Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.
 - (2) Level 2: Valuation models which utilize predominately observable market inputs.
 - (3) Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments to Section 3862 also require additional disclosure relating to the liquidity risk associated with financial instrument (see Financial Instruments Risk section (a)). The amendments improve disclosure of financial instruments specifically as it relates to fair value measurements and liquidity risk. The adoption of the amendments did

not impact the Company's financial position or results of operations. See Investments section (b).

- (b) The CICA issued a new accounting standard, CICA Handbook Section 1582, Business Combinations, which improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects; CICA Handbook Section 1601, Consolidated Financial Statements, which establishes standards for the preparation of consolidated financial statements; and CICA Handbook Section 1602, Non-Controlling Interests, which establishes accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These new standards are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company is currently assessing the impact of these standards on its future acquisitions.
- (c) On February 13, 2008, the AcSB confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to begin using IFRS in place of Canadian GAAP as the basis for preparation of financial statements. Pinetree will adopt IFRS commencing with financial statements for periods ending after January 1, 2011, with comparatives for the same periods in the prior year.

The Company has begun the process to transition from GAAP to IFRS. The initial analysis of IFRS in comparison with GAAP has identified a number of differences. Management believes that most of the differences will not have a material impact on the Company's reported results and financial position, although there may be significant changes in certain areas following the adoption of IFRS. The Company expects that most adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings, and shown on the first comparative consolidated balance sheet.

IFRS 1, "First Time Adoption Of International Financial Reporting Standards" provides entities which are adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to certain of the IFRS requirements for retrospective application of IFRS. The Company is analyzing the various choices and will implement those which are determined to be most appropriate to the Company's particular circumstances. Once these decisions are made, and their expected impact on the Company's reported results and financial position are able to be quantified, those impacts will be described in a future MD&A.

Below are the key areas where accounting policy changes that are implemented as a result of the transition to IFRS are most likely to impact the Company's reported results. Since management's analysis of the changes is still in progress, and IFRS 1 decisions have not yet been made, the final impacts may ultimately differ from those below, and the expected impact has not yet been quantified. There are additional IFRS changes that will have an effect on the amount and types of disclosure made by the Company; these are not included since they will have no impact on the Company's reported results.

(i) IFRS 2 - Share Based Payments:

IFRS 2 prescribes different methods for valuing options which vest at different time periods. As well, IFRS 2 specifies when the use of the Black-Scholes option valuation model might not be appropriate. These changes may have an effect on the amount of stock-based compensation expense the Company records for future option grants.

(ii) IAS 12 – Income Tax:

The Company is continuing to evaluate the impact of IAS 12 on its reported results.

(iii) IAS 28 – Investments in Associates:

There are a number of differences between IFRS and GAAP relating to accounting for equity accounted investments, including the rules surrounding the determination of “significant influence” and that under IFRS an equity accounted investment is written down if its carrying value is impaired. The Company currently has three equity accounted investments, the carrying value of which may change under IFRS. As well, a larger or smaller number of investments may require equity accounting under IFRS.

As part of the IFRS transition from GAAP, the Company will be reviewing the effects of IFRS adoption on the Company’s ICFR and DC&P and implement all necessary changes prior to the changeover date. The Company has not finalized the impact of IFRS on its consolidated financial statements but anticipates that any changes in accounting policies could result in additional controls and procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. The Company doesn’t anticipate IFRS to significantly impact other elements of a changeover plan such as its accounting system or investment data system.

Summary of IFRS Transition Plan:

The Company has implemented a transition plan which addresses the impact of IFRS on Accounting Policies, ICFR, DC&P, Business Activities, Information Technology Infrastructure and Financial Reporting Expertise. Following is a summary of the key elements of the transition plan:

	Key Activities	Status
Accounting Policies	Identification of differences between GAAP and IFRS.	Completed.
	Quantification of impact of the differences identified.	Underway. Will be completed by end of Q2 2010.

	Completion of Company's IFRS 1 decisions and quantification of the impacts of those decisions.	To begin in Q1 2010. Will be completed by end of Q2 2010.
	Development of financial statement format and related disclosure.	To begin in Q2 2010. Will be completed by end of Q3 2010.
ICFR	For all changes made to Company's accounting policies, review the design and effectiveness implications on ICFR.	Review to begin at start of Q3 2010 and will be completed before end of Q4 2010. Not anticipated to be significant due to small size of Company's finance group.
DC&P	For all changes made to Company's accounting policies, review the design and effectiveness implications on DC&P.	Review to begin at start of Q3 2010 and will be completed before end of Q4 2010. Not anticipated to be significant due to small size of Company's finance group.
Business Activities	Review potential impacts of IFRS on financial covenants.	Initial review completed and no significant impacts expected. Final review to be completed by end of Q2 2010.
	Review potential impacts of IFRS on compensation arrangements.	Only one compensation arrangement is directly dependent upon the Company's financial results. After all accounting policies have been finalized, management will assess its impact on the compensation arrangement.
IT Infrastructure	Development of new systems or changes to existing systems required for the transition and post implementation timeframes.	A preliminary review of systems has determined that the impacts on the current IT infrastructure is not likely to be significant. A final review will take place once all accounting policy decisions have been made and necessary changes will then be made.
Financial Reporting Expertise	Development of internal IFRS expertise.	The Company will use outside training resources to develop the necessary expertise within the finance department and audit committee as needed. Training will continue throughout 2010 leading up to full IFRS implementation in 2011.

Significant Accounting Policies:

Details of all of Pinetree's accounting policies can be found in Note 2 to the Company's audited consolidated comparative financial statements as at and for the year ended December 31, 2009. The following are some of the Company's significant accounting policies:

1. Fair value of investments:

Investments which are designated, based on management's intentions, as held-for-trading using the fair value option and are reported at fair value. The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith.

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

1. Securities, including shares, options, and warrants 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 at the consolidated balance sheet date or the closing bid price on the last day the security traded if there were no trades at the consolidated balance sheet date. These are included in Level 1 in the Investments section (b).
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. These are included in Level 2 in the Investments section (b).
3. For warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; 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 at the consolidated balance sheet date of the underlying security less the exercise price of the warrant, and zero. These are included in Level 2 in the Investments section (b).

(ii) Private company investments (securities of issuers that are not public companies):

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

included in Level 3 in the Investments section (b). Options and warrants of private companies are carried at nil.

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 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. 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 expands their resource prospects; and
- v. important, positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

In the circumstances described above under (i) through (v), or in circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

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 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;
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.

In the circumstances described above under (i) through (iv), or in circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

(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.

2. Equity accounted investments:

Investments in companies over which Pinetree has or is deemed to have significant influence, but does not control, 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 is included in the consolidated statements of operations.

3. Revenue recognition:

Securities transactions are recorded on a settlement date basis. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of operations and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statements of operations as incurred. Income or losses from an equity accounted investment are reflected in the consolidated statements of operations at the end of each reporting period. Dividend income is

recorded on the ex-dividend date. Dividends received from equity accounted investments are recorded as a reduction of the carrying value of the equity accounted investment. Interest income and other income are recorded on an accrual basis.

4. Foreign currency translation:

The Company's subsidiaries are considered to be integrated operations. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates. All revenue and expenses denominated in foreign currencies are translated at rates of exchange prevailing at the transaction dates. Gains or losses resulting from translation are included in the determination of net income (loss) for the period. Non-monetary assets are translated at the rate of exchange prevailing at the date of transaction.

5. Income taxes:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

6. Stock-based compensation:

Any consideration received on the exercise of stock options is credited to share capital. The Company records compensation expense and credits contributed surplus for all stock options granted. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model.

7. Earnings (loss) per common share:

Basic earnings (loss) per common share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow. Diluted earnings (loss) per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding.

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, the valuation allowance related to the Company's future income tax asset ("FTA"), and the Company's estimate of inputs for the calculation of the value of stock-based compensation expense, unlisted warrants of public companies, and the Company's own warrants and broker warrants.

Valuation of Privately-held Investments:

The method used by the Company to value its privately-held investments (being securities of issuers that are not public) is described under "Accounting Policy For Valuing Investments" elsewhere in this MD&A. The valuation of privately-held investments ("private investments") requires management to assess the current financial status and prospects of private investments based upon 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, economic or other events that may impact upon the private investment specifically, and to attempt to quantify the impact of such events on the fair value of the investment. In addition to any events or circumstances that may affect the fair value of a particular private investment, management can consider general market conditions that may affect the fair value of either a particular private investment or a group, segment or complete portfolio of private investments.

For the year ended December 31, 2009, Pinetree adjusted the fair value of some of its private investments to mirror overall increases in the value of public companies operating in the same sectors as the private investments. The increase in fair value was based upon management's assumption that higher valuations of public companies (as reflected in their closing bid prices as at December 31, 2009) reflected overall market conditions, and were equally attributable to similar private company valuations.

Changes in the fair value of our private investments for company-specific reasons have tended to be infrequent. Changes as a result of general market conditions may be more frequent from period to period during times of significant volatility; however, given the relatively small size of our private investment portfolio, such changes are not expected to have a material impact on our financial condition or operating results. The increase in fair value of our private investments for the year ended December 31, 2009 had the effect of increasing the net unrealized gains by \$18,856 (8.2 % of the total unrealized gains for the year ended December 31, 2009) as compared to unrealized losses of \$36,552 last year (8.7% of the total unrealized losses for the year ended December 31, 2008).

Allowance for Future Income Tax Assets:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. As at December 31, 2008, 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 and other FTAs was \$87,508. However, at that time management determined, based upon the Company's historical level of taxable income and expectations for future taxable income, that it believed that it was more likely than not that the Company would realize the tax benefits of only a portion of the non-capital losses carried forward during the next several years. As such, the Company had taken a valuation allowance of \$43,754. However, as at December 31, 2009, the Company believes that it will utilize all of its non-capital losses in the next few years given that it had net income before tax of \$196,539 in the year ended December 31, 2009. As result, the Company is taking no valuation allowance against its FTA as at December 31, 2009.

Stock-based Compensation Expense/Warrants and Broker Warrants:

The Company uses the Black-Scholes option pricing model ("B-S") to calculate stock-based compensation expense and the value of warrants and broker warrants issued as part of the Company's private placements. The B-S requires six key inputs to determine a value for an option, warrant or broker warrant: 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. For example, a longer 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 year ended December 31, 2009:

Date Granted	Options Granted	Exercise Price	Expiry
April 1, 2009	1,535,000	\$ 1.29	March 31, 2014
June 30, 2009	50,000	1.73	June 29, 2014
September 1, 2009	2,526,400	1.46	August 31, 2014
December 1, 2009	110,000	2.07	November 30, 2014
Total granted	4,221,400		

The fair value of the options granted during the year ended December 31, 2009 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	97.6%
Expected dividend yield	0.0%

Risk-free interest rate	2.25%
Expected option life in years	3.5
Fair value per stock option granted on April 1, 2009	\$ 0.84
Fair value per stock option granted on June 30, 2009	\$ 1.13
Fair value per stock option granted on September 1, 2009	\$ 0.95
Fair value per stock option granted on December 1, 2009	\$ 1.35

The fair value of the options granted during the prior year was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used for stock-based compensation expense	
Expected volatility	95.6 – 97.6%
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

The Company did not issue any warrants or broker warrants during the year ended December 31, 2009.

In the prior year, the fair value of the warrants and broker warrants issued upon the closing of a brokered private placement on July 11, 2008 was estimated at the date of issue using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used for stock-based compensation expense	
Expected volatility	97.5%
Expected dividend yield	0.0%
Risk-free interest rate	3.25%
Expected warrant life in years	3.5
Expected broker warrant life in years	1.75
Fair value per warrant issued on July 11, 2008	\$ 1.13
Fair value per broker warrant issued on July 11, 2008	\$ 0.85

Valuation of Unlisted Warrants of Public Companies:

The Company uses the B-S to calculate the fair value of unlisted warrants of public companies if there are sufficient and reliable observable market inputs. If no such market inputs are available, the warrants are valued using their intrinsic value. B-S 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. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in fair value of the warrant. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

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.