



## Management's Discussion and Analysis

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**For the Quarter Ended:**                      **March 31, 2010**

**Date of Report:**                              **May 13, 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") for the three months ended March 31, 2010 should be read in conjunction with Pinetree's audited consolidated financial statements and notes thereto as at and for the year ended December 31, 2009 and the unaudited consolidated financial statements and notes thereto as at and for the three months ended March 31, 2010. 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 the transition from GAAP to International Financial Reporting Standards ("IFRS") and 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](http://www.sedar.com).

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

### **Nature of the Business:**

Pinetree was incorporated under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the “TSX”) under the symbol “PNP”. Pinetree is a diversified investment, financial advisory, and merchant banking firm focused on the small-cap market. Pinetree’s investments are primarily in the following resource sectors: Uranium and Coal, 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 the Company’s relative return in light of changing fundamentals and opportunities.

### **Overall Performance:**

Capital raising in the junior resource sector continued to be active during the first quarter of 2010, presenting increased investment opportunities for Pinetree. The Company purchased an additional \$32,019 of investments in the first quarter, as compared to \$17,042 of investments in the first quarter of 2009.

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

<b>Operating Results</b>	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Gains (losses) on disposal of investments, net	\$ 5,202	\$ (5,892)
Unrealized gains on investments, net	16,858	48,007
Losses from equity accounted investments	(211)	(639)
Net investment gains	21,849	41,476
Net income for the period	14,328	28,599
<b>Earnings per common share – basic</b>	<b>0.11</b>	0.22
<b>Earnings per common share – diluted</b>	<b>0.10</b>	0.22

The Company's net investment gains for the three months ended March 31, 2010 were comprised mainly of net unrealized gains on the Company's investments, arising primarily from an overall increase in the stock prices of our portfolio companies during the current period offset by the reversal of previously recognized unrealized gains on the disposal of investments. In the prior year period, the net investment gains arose from the increase in stock prices in the Company's portfolio and by the reversal of previously recognized unrealized losses on the disposal of investments.

For the three months ended March 31, 2010, the Company had net income of \$14,328 (\$0.11 per basic share) as compared to net income of \$28,599 (\$0.22 per basic share) for the same period last year. The decreased net income in the current year period as compared to the first quarter of last year was primarily attributable to the decrease in net unrealized gains on investments recognized in accordance with the mark-to-market accounting rules.

As at March 31, 2010, shareholders' equity stood at \$357,789 as compared to \$342,692 as at December 31, 2009, a 4.4% increase. As at March 31, 2010, net asset value per share ("NAV per share") was \$2.64 as compared to \$2.53 as at December 31, 2009, a 4.3% increase. (See "Use of Non-GAAP Measures" elsewhere in this MD&A.) The following is Pinetree's shareholders' equity and NAV per share for the eight most recently completed interim financial periods:

	<b>Shareholder's Equity</b>	<b>NAV per share</b>
March 31, 2010	<b>\$ 357,789</b>	<b>\$ 2.64</b>
December 31, 2009	342,692	2.53
September 30, 2009	316,635	2.39
June 30, 2009	252,100	1.91
March 31, 2009	204,723	1.56
December 31, 2008	174,210	1.33
September 30, 2008	265,551	2.02
June 30, 2008	431,824	3.79

### Investments:

- (a) Investments at cost and fair value consist of the following as at March 31, 2010 and December 31, 2009:

<b>Sectors:</b>	<b>March 31, 2010</b>		December 31, 2009	
	<b>Cost</b>	<b>Fair Value</b>	Cost	Fair Value
Resources:				
Precious metals	<b>\$ 183,828</b>	<b>\$ 149,110</b>	\$ 177,672	\$ 158,027
Base metals	<b>160,252</b>	<b>84,638</b>	155,576	71,711
Uranium and coal	<b>133,729</b>	<b>75,494</b>	132,812	49,066
Oil & gas	<b>47,576</b>	<b>31,386</b>	52,668	34,404
Potash, lithium and rare earths	<b>27,348</b>	<b>21,870</b>	30,236	27,103
Technology and other	<b>28,121</b>	<b>18,072</b>	25,308	16,745
Energy related technology	<b>16,727</b>	<b>4,624</b>	17,238	5,190
Biotechnology	<b>8,732</b>	<b>2,865</b>	10,072	4,478
<b>Total investments</b>	<b>\$ 606,313</b>	<b>\$ 388,059</b>	\$ 601,582	\$ 366,724

The following is the number of investments in each sector as at March 31, 2010 and December 31, 2009:

Resources:	March 31, 2010		December 31, 2009	
		<u>% of Total</u>		<u>% of Total</u>
Precious metals	<b>149</b>	<b>34.5</b>	144	33.5
Base metals	<b>105</b>	<b>24.2</b>	105	24.5
Uranium and coal	<b>59</b>	<b>13.6</b>	60	14.0
Oil & gas	<b>45</b>	<b>10.4</b>	46	10.7
Potash, lithium and rare earths	<b>29</b>	<b>6.7</b>	28	6.5
Technology and other	<b>27</b>	<b>6.2</b>	26	6.1
Energy related technology	<b>12</b>	<b>2.8</b>	12	2.8
Biotechnology	<b>7</b>	<b>1.6</b>	8	1.9
	<b>433</b>	<b>100.0</b>	429	100.0

The total number of investments held by the Company and the allocation of investments by sector remained relatively constant from December 31, 2009. As at March 31, 2010, 387 out of 433, or 89.4% (December 31, 2009 – 89.3%), of the investments were in the resources sector. As at March 31, 2010, resource companies represented \$362,498 (93.4%) of the fair value of the investments as compared to \$340,311 (92.8%) as at December 31, 2009.

The fair value of the investments held by the Company as at March 31, 2010 increased by 5.8% to \$388,059 as compared to \$366,724 at the end of last year. The cost base of the Company's portfolio was \$606,313 as at March 31, 2010, as compared to \$601,582 as at December 31, 2009. As such, the cost of investments exceeded fair value by \$218,254 as at March 31, 2010 versus \$234,858 as at December 31, 2009, a 7.1% improvement. The improvement arose primarily from the unrealized gains of \$16,858 recorded during the current quarter due to an increase in fair value of the Company's investments offset by the reversals of previously recognized unrealized gains.

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 March 31, 2010, included in total investments were securities of private companies with a fair value totalling \$34,192 (8.8% of total fair value of the Company's investments; cost of \$42,140), as compared to fair value of \$32,731 as at December 31, 2009 (8.9% of total fair value of the Company's investments; cost of \$41,346). The increase in fair value was determined in accordance with the Company's accounting policy for private company investments (see "Significant Accounting Policies" and "Critical Accounting Estimates").

- (b) Equity accounted investments consist of the following as at March 31, 2010 and December 31, 2009:

	<b>March 31, 2010</b>	December 31, 2009
Equity accounted investments - carrying value, beginning of period	\$ 1,911	\$ 3,567
Purchases of equity accounted investments	-	740
Proceeds on disposal of equity accounted investment	-	(2,650)
Gain on disposal of equity accounted investment	-	370
Losses from equity accounted investments	(211)	(116)
<b>Equity accounted investments - carrying value, end of period</b>	<b>\$ 1,700</b>	<b>\$ 1,911</b>
<b>Equity accounted investments - cost</b>	<b>\$ 2,714</b>	<b>\$ 2,714</b>
<b>Number of equity accounted investments</b>	<b>4</b>	<b>4</b>

See "Significant Accounting Policies" for details of how the Company values investments accounted for using the equity method. Refer to Note 3 to the unaudited consolidated financial statements as at and for the three months ended March 31, 2010 for additional details about the Company's investment portfolio.

### Results of Operations:

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

	<b>Quarter ended (unaudited)</b>			
	<b>March 31, 2010</b>	December 31, 2009	September 30, 2009	June 30, 2009
Net investment gains	\$ 21,849	\$ 37,706	\$ 69,470	\$ 58,520
Net income for the period	14,328	20,294	63,847	44,653
Earnings per share – basic	0.11	0.15	0.48	0.34
Earnings per share – diluted	0.10	0.15	0.48	0.34

  

	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
Net investment gains (losses)	\$ 41,476	\$ (104,374)	\$ (256,209)	\$ 13,905
Net income (loss) for the period	28,599	(93,564)	(210,853)	4,774
Earnings (loss) per share – basic	0.22	(0.71)	(1.63)	0.04
Earnings (loss) per share – diluted	0.22	(0.71)	(1.63)	0.04

### Three Months Ended March 31, 2010 and 2009:

For the three months ended March 31, 2010, the Company generated a net realized gain on disposal of investments of \$5,202, as compared to a loss of \$5,892 for the three months ended March 31, 2009.

The Company had net unrealized gains on investments of \$16,858 for the three months ended March 31, 2010, as compared to \$48,007 for the three months ended March 31, 2009. Net unrealized gains for the three months ended March 31, 2010, were comprised of \$19,322 from the write-up to market on the Company's investments offset by \$2,464 from the reversal of previously recognized net unrealized gains on the disposal of investments during the current period. Of the net unrealized gains for the three months ended March 31, 2009, \$40,807 was from the write-up to market on the Company's investments and \$7,200 from the reversal of previously recognized net unrealized losses on the disposal of investments during the period.

For the three months ended March 31, 2010, the Company had losses from its equity accounted investments of \$211 as compared to losses from its equity accounted investments of \$639 for the three months ended March 31, 2009.

During the three months ended March 31, 2010, other income totalled \$361, as compared to \$3,008 for the three months ended March 31, 2009. Other income is comprised of \$146 (three months ended March 31, 2009 – \$2,946) from consulting fees and rental income and \$215 (three months ended March 31, 2009 - \$62) from interest and dividend income earned on certain of the Company's investments. Consulting fees decreased significantly by \$2,800 for the three months ended March 31, 2010, as a result of the termination of a services agreement between Pinetree and an affiliated company, concurrently with the sale of the Company's interest in the affiliated company during the third quarter of 2009.

Operating, general and administrative expenses in the three months ended March 31, 2010 increased to \$3,610 from \$2,726 in the three months ended March 31, 2009, an increase of \$884. The increase was primarily due to a bonus accrual of \$1,613 payable to the Company's Chairman and Chief Executive Officer (the "CEO") as compared to nil in the prior year period, offset by a decrease in stock-based compensation. Excluding stock-based compensation expense and bonus accrual, operating, general and administrative expenses during the three months ended March 31, 2010 increased by \$518 (62.4%) to \$1,348 from \$830, as described further below.

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

	Three months ended March 31,	
	<u>2010</u>	<u>2009</u>
Consulting fees and salaries expense (a)	\$ 2,132	\$ 512
Stock-based compensation expense (b)	649	1,896
Professional fees (c)	347	85
Shareholder relations, transfer agent and filing fees (d)	132	52
Travel, meals, and entertainment (e)	134	28
Rent and insurance expenses	141	129
Office and general (f)	75	24
	<u>\$ 3,610</u>	<u>\$ 2,726</u>

- (a) Consulting fees and salaries expense increased by \$1,620 as compared to the three months ended March 31, 2009. The increase was primarily due to a bonus accrual of \$1,613 to the CEO in the current quarter. Pursuant to the CEO's employment agreement, he is entitled to receive an annual bonus equal to 10% of the increase, if any, in the value

of the Company's shareholders' equity calculated as at December 31 of the applicable year and adjusted to eliminate changes in shareholders' equity which would not generally be attributable to the CEO's performance (such as increases in share capital as a result of financings or stock option or warrant exercises), over the value of shareholders' equity calculated, as adjusted, as at December 31 of the most recent year in which a bonus was payable to the CEO (the high water mark).

- (b) Stock-based compensation expense decreased by \$1,247 as compared to the three months ended March 31, 2009. 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 \$262 as compared to the three months ended March 31, 2009. The increase in professional fees is primarily due to an increase in legal fees and fees related to the Company's audit, tax advisory, and IFRS advisory services.
- (d) Shareholder relations, transfer agent and filing fees increased by \$80 as compared to the three months ended March 31, 2009. The increase is primarily due to an increase in public relations costs and press release distributions (in connection with the Company's investment activities).
- (e) Travel, meals, and entertainment increased by \$106 in the quarter, due primarily to an increase in travel activities under taken during the period, commensurate with increased investing and business activities.
- (f) Office and general increased by \$51 in the quarter. The increase was primarily due to an increase in charitable donations, information data and computer systems and general other expenses, offset by a reversal of the accrual of \$264 for capital tax and a reversal of \$54 related to the Class C preferred shares liability which was recorded as at December 31, 2009.

During the three months ended March 31, 2010, transaction costs increased \$120 to \$234 from \$114 for the three months ended March 31, 2009, due to an 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 evaluates its commission structure with its brokers on an on-going basis to minimize its transaction costs.

During the three months ended March 31, 2010, the Company experienced a foreign exchange gain of \$63 on its foreign denominated net assets as compared to foreign exchange loss of \$102 during the three months ended March 31, 2009. The net foreign exchange gain 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 \$25,000 credit facility (the "Facility") provided by the 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. The Facility (which was to expire on March 31, 2010 but was extended during the period) matures on June 30, 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. 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 Royal Bank of Canada ("RBC") and in favour of the Company's brokers in respect to its margin borrowings. During the three months ended March 31, 2010, there was nil outstanding under the Facility. Included in the consolidated statements of operations is \$15 (three months ended March 31, 2009 - \$724) of standby fee expense relating to the Facility. Interest expense decreased to \$99 in the three months ended March 31, 2010, as compared to \$729 in the three months ended March 31, 2009, due to an overall decline in the use of the Facility.

The Company recorded a provision for income taxes in the three months ended March 31, 2010 of \$3,969 as compared to \$12,182 in the three months ended March 31, 2009. 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 losses carried forward.

Net income for the three months ended March 31, 2010 was \$14,328 (\$0.11 per share) versus net income for the three months ended March 31, 2009 of \$28,599 (\$0.22 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.

#### **Cash Flow:**

##### **Three Months Ended March 31, 2010 and 2009**

Net cash generated in operating activities was \$1,069 in the three months ended March 31, 2010, compared to \$85 in the three months ended March 31, 2009, an improvement of \$984. During the three months ended March 31, 2010, the Company received \$3,307 in income tax refunds from the government relating to tax reassessments.

During the three months ended March 31, 2010, the Company used cash in financing activities of \$2,107 as compared to generating cash of \$7,274 in the three months ended March 31, 2009. In the current period, cash was primarily used to reduce \$2,227 of margin amounts due to brokers. The Company received gross proceeds of \$120 from the exercise of stock options during the three months ended March 31, 2010. During the three months ended March 31,

2009, the Company received an additional \$9,728 from brokers and repaid \$1,110 in advances from an officer (the CEO) and \$1,250 from an affiliated company.

Net cash generated in investing activities was \$705 in the three months ended March 31, 2010 as compared to net cash used of \$7,375 in the three months ended March 31, 2009. During the current period, the Company had proceeds from disposition of investments of \$32,744, an increase of \$23,074, when compared to \$9,670 of proceeds from dispositions in the three months ended March 31, 2009. During the three months ended March 31, 2010, the Company purchased \$32,019 of investments, an increase of \$14,977 as compared to \$17,042 of investment purchases in the three months ended March 31, 2009.

For the three months ended March 31, 2010, the Company had a net decrease in cash and cash equivalents of \$333 as compared to a net decrease of \$16 during the three months ended March 31, 2009, leaving a cash and cash equivalents balance of \$71 as at March 31, 2010 as compared to a cash and cash equivalents balance of \$12 as at March 31, 2009.

### **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. As at March 31, 2010, the Facility (which remains available for drawdown at the Company's option) and advances from affiliated company remains zero. The Facility was due to mature on March 31, 2010 but has been extended to June 30, 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 June 30, 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 the 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.

<b>Consolidated Balance Sheet Highlights</b>	<b>March 31, 2010</b>	December 31, 2009
Investments, at fair value	\$ 388,059	\$ 366,724
Equity accounted investments	1,700	1,911
Total assets	397,489	383,562
Total liabilities	39,700	40,870
Share capital, warrants and broker warrants and contributed surplus	369,641	368,872
Deficit	(11,852)	(26,180)
<b>NAV per share – Basic</b>	<b>\$ 2.64</b>	\$ 2.53
<b>NAV per share – Diluted</b>	<b>\$ 2.15</b>	\$ 2.05

Equity accounted investments, together with the fair value of the Company's portfolio, increased to \$389,759 from \$368,635 as at December 31, 2009, an increase of 5.7%. NAV per share (basic) increased 4.3% to \$2.64 from \$2.53 as at December 31, 2009. (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 three months ended March 31, 2010, the Company disposed of investments for proceeds of \$32,744, and purchased investments totaling \$32,019, as noted above in the Cash Flow section. The net cash generated from the disposition were used to pay down margin accounts (due to brokers).

As at December 31, 2009, the Company had recorded an income tax receivable of \$3,307 related 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 paid the full expected refund of \$3,307 during the three months ended March 31, 2010.

#### **Liabilities:**

As at March 31, 2010, total current liabilities decreased to \$39,700 as compared to \$40,870 as at December 31, 2009, a 2.9% decrease. The decrease was primarily due to a decrease of \$2,227 in amounts due to brokers offset by an increase in accounts payable and accrued liabilities of \$1,111, primarily due to a bonus accrual of \$1,613 payable to the CEO.

- (a) As at March 31, 2010, the Company had used margin (due to brokers) of \$31,446 as compared to \$33,673 as at December 31, 2009, a decrease of \$2,227. 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, Pinetree Capital Investment Corp. ("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 March 31, 2010, 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 March 31, 2010, both the redemption price and the retraction price in effect was \$10.00 per share, accordingly the Company reversed \$54 in the fair value change of the Class C Shares of which was expensed as an operating, general and administrative expense in the consolidated statement of operations on December 31, 2009. As at March 31, 2010, the Company had Class C preferred share liabilities of \$319 relating to the Class C Shares.

- (c) The Company has an operating line of credit with 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 March 31, 2010, the Company had repaid all outstanding amounts used on the operating line.
- (d) As at March 31, 2010, included in accounts payable and accrued liabilities is accrued bonuses of \$7,613 due to the CEO. The CEO is owed a special bonus of \$6,000 for the prior year in recognition of the positive results achieved by the Company during the 2009 fiscal year. Pursuant to the CEO's employment agreement, he is entitled to receive an annual bonus equal to 10% of the increase, if any, in the value of the Company's shareholders' equity as described previously in Results of Operations. For the three months ended March 31, 2010, included in operating, general and administrative expenses is \$1,613 relating to this bonus.
- (e) From time to time, the CEO advances funds to Pinetree through a Facility as previously discussed under Results of Operations. As at March 31, 2010, there was no balance owing under the Facility. See "Related Party Transactions" section.

### **Commitments:**

As at March 31, 2010, the Company had material commitments for cash resources of \$42,244 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 March 31, 2010 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	\$ 31,446	\$ 31,446	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	7,935	7,935	-	-	-
Class C preferred share liabilities	319	319	-	-	-
Lease commitments	2,544	659	1,885	-	-
	<b>\$ 42,244</b>	<b>\$ 40,359</b>	<b>\$ 1,885</b>	<b>\$ -</b>	<b>\$ -</b>

The Class C Shares are redeemable and/or retractable at any time. PCIC does not intend to redeem 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 \$33 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 three months ended March 31:

Type of service	Nature of relationship	2010	2009
Consulting fees (a)	Director, shareholders, officers	\$ 100	\$ 207
Director fees	Directors	48	35
Interest expense (b)	Director, shareholder, and officer	15	724
Other income (c)	Affiliated companies	146	2,946
Realized gains (losses) on disposal of investments (d)	Affiliated companies	-	406

- (a) Consulting agreements are with the Company's Vice President - Legal & Corporate Affairs, Vice President – Business Development, Vice President – Research, and Vice President – Trading, Head Trader. The costs relating to these agreements are included in operating, general and administrative expenses. In the prior year, the Company also had a consulting agreement with the CEO. Effective January 1, 2010, the CEO's consulting agreement was terminated and replaced with an employment agreement between the CEO and the Company.
- (b) From time to time, the CEO advances funds to Pinetree under the Facility (as previously discussed) as part of the Company's capital management strategy.

During the three months ended March 31, 2010, the CEO did not advance any funds under the Facility. Included in the consolidated statements of operations is \$15 (three months ended March 31, 2009 - \$724) of stand-by fee expense relating to the Facility. As at March 31, 2010 and December 31, 2009, there was no balance owing under the Facility. See the Results of Operations section elsewhere in this MD&A for details of the Facility.

- (c) Other income relates to sublease, and services agreements of approximately \$146 (three months ended March 31, 2009 - \$2,946) 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 three months ended March 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 is a reporting issuer trading on the TSX under the symbol "MGA". Total proceeds on the sales were \$1,348 and the Company recognized an aggregate realized gain on the sales of \$406.

The Company's sales to Mega were done in the normal course of the Company's divestment decisions.

- (e) On March 10, 2010, the Company entered into an agreement (the "Fund Agreement") with AlphaNorth 2010 Flow-Through Limited Partnership (the "Fund"), a limited partnership established under the laws of Ontario, pursuant to which the Company agreed to provide funds to the Fund from time to time, of up to \$500,000 principal amount in the form of a revolving term loan. Funds provided by Pinetree under the loan bear interest at a rate equal to prime plus 2% and are secured by a general security agreement over the Fund's assets. As at March 31, 2010, the Company had advanced \$228 to the Fund under the Fund Agreement. The Company owns a 20% interest in and has a common director with the Fund's general partner, AlphaNorth General Partner Inc., a company established under the laws of Ontario, Canada.
- (f) As at December 31, 2009, the Company had a loan receivable from an officer of the Company totalling \$75 which was repaid in full on January 29, 2010. The loan bore interest at RBC's prime rate plus 1% per annum, compounded monthly. The loan was used by the officer to purchase investments and was collateralized by those investments.
- (g) The Company has investments in related parties which are listed issuers with a common director and common officers of the Company.

### Internal Controls Over Financial Reporting:

There was no change in the Company's internal controls over financial reporting ("ICFR") that occurred during the three months ended March 31, 2010 and which materially affected, or is reasonably likely to materially affect, the Company's ICFR.

### Management of Capital:

The Company includes the following in its capital:

	March 31, 2010	December 31, 2009
Due to brokers	\$ 31,446	\$ 33,673
Class C preferred share liabilities, at fair value	319	373
Shareholders' equity comprised of		
Share capital	274,915	274,725
Warrants and broker warrants	67,139	67,139
Contributed surplus	27,587	27,008
Deficit	(11,852)	(26,180)
	<b>\$ 389,554</b>	<b>\$ 376,738</b>

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 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 Facility from the CEO.

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 entitled 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 March 31, 2010.

## **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 and liabilities 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 from 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 March 31, 2010, the Company had used margin of \$31,446 and had additional margin available of \$12,617. 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 March 31, 2010:

<b>Percentage of change in closing bid prices</b>	<b>Margin available with a % increase in closing bid price</b>	<b>Margin available with a % decrease in closing bid price</b>
2%	\$ 13,395	\$ 11,840
4%	14,172	10,987
6%	14,949	10,211
8%	15,727	9,435
10%	16,504	8,659

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:

<b>Percentage of change in closing bid prices</b>	<b>Margin available with a % increase in closing bid price</b>	<b>Margin available with a % decrease in closing bid price</b>
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 March 31, 2010, the Company also had Class C preferred share liabilities of \$319 (December 31, 2009 - \$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, subject to a minimum redemption price of \$10 per Class C Share during the first year after issue. The redemption/retraction price in effect as at March 31, 2010 was \$10.00 per share (December 31, 2009 - \$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 March 31, 2010 and 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	\$ -
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 March 31, 2010:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 year	4 – 5 years	After 5 years
Due to brokers	\$ 31,446	\$ 31,446	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	7,935	7,935	-	-	-
Class C preferred share liabilities	319	319	-	-	-
	<b>\$ 39,700</b>	<b>\$ 39,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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	-	-	-
	<b>\$ 40,870</b>	<b>\$ 40,870</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(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 and coal, 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 three months ended March 31, 2010 from a change in the closing bid price of the Company's investments with all other variables held constant as at March 31, 2010:

<b>Percentage of change in closing bid prices</b>	<b>Change in net after-tax income (loss) from % increase in closing bid price</b>	<b>Change in net after-tax income (loss) from % decrease in closing bid price</b>
2%	\$ 6,655	\$ (6,655)
4%	13,310	(13,310)
6%	19,966	(19,966)
8%	26,621	(26,621)
10%	33,276	(33,276)

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

<b>Percentage of change in closing bid prices</b>	<b>Change in net after-tax income (loss) from % increase in closing bid price</b>	<b>Change in net after-tax income (loss) from % decrease in closing bid price</b>
2%	\$ 2,550	\$ (2,550)
4%	5,100	(5,100)
6%	7,650	(7,650)
8%	10,200	(10,200)
10%	12,750	(12,750)

(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 March 31, 2010, 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 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 three months ended March 31, 2010 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at March 31, 2010:

<b>Change in interest rate</b>	<b>Change in net after-tax income (loss) from an increase in interest rate</b>	<b>Change in net after-tax income (loss) from a decrease in interest rate</b>
0.25%	\$ (14)	\$ 14
0.50%	(28)	28
0.75%	(42)	42
1.00%	(55)	55

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

<b>Change in interest rate</b>	<b>Change in net after-tax income (loss) from an increase in interest rate</b>	<b>Change in net after-tax income (loss) from a decrease in interest rate</b>
0.25%	\$ (10)	\$ 10
0.50%	(19)	19
0.75%	(29)	29
1.00%	(39)	39

(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:

	<b>March 31, 2010</b>	December 31, 2009
Denominated in U.S. dollars:		
Investments	\$ 18,132	\$ 11,885
Cash and cash equivalents	12	11
Due from brokers	22	24
Prepays and other receivables	133	129
Due to brokers	(6,353)	(139)
Accounts payable and accrued liabilities	(7)	(22)
Net assets denominated in U.S. dollars	<b>11,939</b>	11,888
Denominated in Australian dollars:		
Investments	11,069	11,335
Due from (to) brokers	2,480	(443)
Net assets denominated in Australian dollars	<b>13,549</b>	10,892
Denominated in British pounds:		
Investments	88	86
Net assets denominated in British pounds	<b>88</b>	86

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the three months ended March 31, 2010 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at March 31, 2010:

<b>Percentage change in U.S. dollar</b>	<b>Change in net after-tax income (loss) from an increase in % in the U.S. dollar exchange rate</b>	<b>Change in net after - tax income (loss) from a decrease in % in the U.S. dollar exchange rate</b>
2%	\$ 165	\$ (165)
4%	330	(330)
6%	494	(494)
8%	659	(659)
10%	824	(824)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the three months ended March 31, 2010 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at March 31, 2010:

<b>Percentage change in Australian dollar</b>	<b>Change in net after-tax income (loss) from an increase in % in the Australian dollar exchange rate</b>	<b>Change in net after - tax income (loss) from a decrease in % in the Australian dollar exchange rate</b>
2%	\$ 187	\$ (187)
4%	374	(374)
6%	561	(561)
8%	748	(748)
10%	935	(935)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the three months ended March 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 March 31, 2009:

<b>Percentage change in U.S. dollar</b>	<b>Change in net after-tax income (loss) from an increase in % in the U.S. dollar exchange rate</b>	<b>Change in net after - tax income (loss) from a decrease in % in the U.S. dollar exchange rate</b>
2%	\$ 96	\$ (96)
4%	192	(192)
6%	288	(288)
8%	384	(384)
10%	479	(479)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the three months ended March 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 March 31, 2009:

<b>Percentage change in Australian dollar</b>	<b>Change in net after-tax income (loss) from an increase in % in the Australian dollar exchange rate</b>	<b>Change in net after - tax income (loss) from a decrease in % in the Australian dollar exchange rate</b>
2%	\$ 105	\$ (105)
4%	211	(211)
6%	316	(316)
8%	421	(421)
10%	527	(527)

(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 and convertible notes are carried as though converted to common shares. As at March 31, 2010, the total fair value of these investments was \$1,723 (December 31, 2009 - \$1,498). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.4% (December 31, 2009 - 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, accounts payable and accrued liabilities, 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 dependent 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 and coal, 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 dependent upon various factors, most of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected 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 shares 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 March 31, 2010, the Company granted 265,000 stock options exercisable at \$1.83 per share and expiring on March 31, 2015.

Subsequent to March 31, 2010, 80,000 stock options were exercised at \$0.53 per share for total proceeds of \$42.

As at May 13, 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:

<b>Common shares</b>	<b>Number</b>
Outstanding	<b>135,509,653</b>
Issuable under options	<b>10,261,700</b>
Issuable under warrants	<b>20,513,650</b>
Issuable under broker warrants	<b>722,771</b>
<b>Total diluted common shares</b>	<b>167,007,774</b>

Refer to note 9 of the Notes to the consolidated financial statements as at and for the three months ended March 31, 2010 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.

### Future Changes in Accounting Policies:

Since December 31, 2009, there have been no changes to Pinetree's accounting policies, except for the following policies which the Company expects to adopt:

- (a) The CICA has 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.

- (b) On February 13, 2008, the Accounting Standards Board 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 none of the differences will 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 four 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 does not anticipate IFRS to significantly impact other elements of a changeover plan such as its accounting system or investment management 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 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.

##### (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.

2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction.
  3. For warrants which are not traded on a recognized securities exchange, 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.
- (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. 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; or
2. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will

be based on management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

- i. political changes in a country in which the investee company operates which, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
- ii. receipt by the company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);
- iii. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
- iv. release by the investee company of positive exploration results, which either proves or 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; or
4. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on

management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

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

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 "Significant Accounting Policies" 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 three months ended March 31, 2010, Pinetree adjusted the fair value of some of its private investments to reflect general market conditions (and decreases in some sectors) in the value of public companies operating in the same sectors as the private investments. The increase and decrease in fair value was based upon management's assumption that higher valuations of public companies (as reflected in their closing bid prices as at March 31, 2010)

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 three months ended March 31, 2010 had the effect of increasing the net unrealized gains by \$667 (4.0% of the total unrealized gains for the three months ended March 31, 2010) as compared to unrealized gains of \$991 for the three months ended March 31, 2009 (2.1% of the total unrealized gains).

#### 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 March 31, 2010, 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 will realize the full tax benefits of the non-capital losses carried forward during the next several years. As such, the Company has not taken a valuation allowance.

#### 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.

There were no stock option granted during the three months ended March 31, 2010.

The Company did not issue any warrants or broker warrants during the three months ended March 31, 2010.

#### 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](http://www.sedar.com).