



Management's Discussion and Analysis

For the Year Ended: December 31, 2010

Date of Report: March 10, 2011

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Pinetree Capital Ltd. ("Pinetree" or the "Company") should be read in conjunction with Pinetree's audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2010 and 2009. Accounting policies followed in the preparation of the annual consolidated financial statements are disclosed in note 2 of the Notes to the audited consolidated financial statements as at and for the years ended December 31, 2010 and 2009. 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.

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 and merchant banking firm focused on the small-cap market. Pinetree's investments are primarily in the following resource sectors: Precious Metals, Uranium and Coal, Base Metals, Oil & Gas, and Potash, Lithium and Rare Earths. 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:

Fiscal 2010 was another year of exceptional investment opportunities for Pinetree as prices of metals and mining stocks continue higher. During the fourth quarter of 2010, the Company had net investment gains of \$291,717 (primarily due to unrealized gains of \$265,030) as compared to \$37,706 for the same period in 2009. As at December 31, 2010, the fair value of Pinetree's investment portfolio increased 116.5% to \$793,864 from \$366,724 as at December 31, 2009. The Company remained active in the market in the fourth quarter of 2010, purchasing an additional \$115,055 of investments and disposing of investments for total proceeds of \$81,683.

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

Operating Results	Three months ended December 31,		Twelve months ended December 31,	
	2010	2009	2010	2009
Gains/(losses) on disposal of investments, net	\$ 26,888	\$ 9,661	\$ 43,091	\$ (22,426)
Unrealized gains on investments, net	265,030	28,122	340,563	229,344
Gains on disposal of equity accounted investments	-	-	-	370
Losses from equity accounted investments	(201)	(77)	(774)	(116)
Net investment gains	291,717	37,706	382,880	207,172
Net income for the period	228,915	20,294	295,778	157,393
Earnings per common share – basic	1.68	0.15	2.18	1.19
Earnings per common share – diluted	1.65	0.15	2.15	1.18

For the three months ended December 31, 2010, the Company had net income of \$228,915 (\$1.68 per basic share) as compared to \$20,294 (\$0.15 per basic share) for the three months ended December 31, 2009. For the twelve months ended December 31, 2010, the Company had net income of \$295,778 (\$2.18 per basic share) as compared to \$157,393 (\$1.19 per basic share) for the twelve months ended December 31, 2009. The increased net income for the three and twelve months periods were primarily attributable to increased net unrealized gains on investments recognized in accordance with the mark-to-market accounting rules.

As at December 31, 2010, the Company held investments at fair value totalling \$793,864 as compared to \$366,724 as at December 31, 2009 (a 116.5% increase). The increase in the fair value of the Company's investments was due to the increase in stock prices (as noted above) and by net purchases of investments.

As at December 31, 2010, total assets less total liabilities was \$642,581 as compared to \$342,692 as at December 31, 2009 (an 87.5% increase). The increase was primarily from net investment gains of \$382,880 during the year as compared to \$207,172 last year. As at December 31, 2010, net asset value per share ("NAV per share") was \$4.71 as compared to \$2.53 as at December 31, 2009, a 86.2% increase (See "Use of Non-GAAP Measures" elsewhere in this MD&A).

The following is Pinetree's NAV per share (see disclosure on the Use of Non-GAAP measures) for the eight most recently completed interim financial periods:

	<u>NAV per share</u>
December 31, 2010	\$ 4.71
September 30, 2010	3.04
June 30, 2010	2.19
March 31, 2010	2.64
December 31, 2009	2.53
September 30, 2009	2.39
June 30, 2009	1.91
March 31, 2009	1.56

Investments:

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

Sectors:	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Resources:				
Precious metals	\$ 243,164	\$ 316,667	\$ 177,672	\$ 158,027
Uranium and coal	140,145	171,112	132,812	49,066
Base metals	163,678	148,063	155,576	71,711
Oil & gas	58,890	72,263	52,668	34,404
Potash, lithium and rare earths	37,324	66,524	30,236	27,103
Technology and other	47,447	19,235	52,618	26,413
Total investments	\$ 690,648	\$ 793,864	\$ 601,582	\$ 366,724

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

Resources:	2010		2009	
		<u>% of Total</u>		<u>% of Total</u>
Precious metals	177	41.3	144	33.5
Base metals	92	21.5	105	24.5
Uranium and coal	53	12.4	60	14.0
Oil & gas	48	11.2	46	10.7
Potash, lithium and rare earths	20	4.7	28	6.6
Technology and other	38	8.9	46	10.7
	428	100.0	429	100.0

The total number of investments held by the Company and the allocation of investments by sector remained relatively constant. As at December 31, 2010, 390 out of 428, or 91.1% (2009 – 89.3%), of the investments were in the resources sector. As at December 31, 2010, resource companies represented \$774,629 (97.6%) 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 December 31, 2010 increased by 116.5% to \$793,864 from \$366,724 as at December 31, 2009. The cost base of the Company's portfolio was \$690,648 as at December 31, 2010, as compared to \$601,582 as at December 31, 2009. As such, as at December 31, 2010, the fair value of investments exceeded cost by \$103,216 as compared to the cost of investments exceeding fair value by \$234,858 as at December 31, 2009, a 143.9% improvement. The improvement arose primarily from the unrealized gains of \$340,563 recorded during the current year due primarily to an increase in fair value of the Company's investments.

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

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

As at December 31, 2010, included in total investments were securities of private companies with a fair value totalling \$23,428 (3.0% of total fair value of the Company's investments; cost of \$34,006), as compared to a 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 decrease in fair value was determined in accordance with the Company's accounting policy for private company investments (see "Accounting Policy For Valuing Investments" and "Critical Accounting Estimates").

- (b) The following table presents the Company's financial instruments, measured at fair value on the consolidated balance sheet as at December 31, 2010 and categorized into levels of the fair value hierarchy:

	Level 1 Quoted market price	Level 2 Valuation technique – observable market inputs	Level 3 Valuation technique – non-observable market inputs	Total
Assets				
Investments, at fair value	\$ 662,358	\$ 108,078	\$ 23,428	\$ 793,864
	662,358	108,078	23,428	793,864
Liabilities				
Class C preferred share liabilities, at fair value	-	\$ 529	-	\$ 529
	-	529	-	529

There were no significant transfers from Level 1 to 2 during the year ended December 31, 2010. During the year ended December 31, 2010, \$43,412 of the investments which were held in Level 2 as at December 31, 2009, was transferred to Level 1. The transfer out of Level 2 to Level 1 consists of restricted investments as at December 31, 2009 which became unrestricted during the year ended December 31, 2010.

The following table presents the Company's financial instruments, measured at fair value on the consolidated balance sheet as at December 31, 2009 and categorized into levels of the fair value hierarchy:

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

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

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended December 31, 2010. These financial instruments are measured at fair value utilizing non-observable market inputs. The realized losses and net unrealized losses are recognized in the consolidated statements of operations.

	Opening balance, December 31, 2009	Net purchases	Realized losses	Net unrealized losses	Net transfer out of Level 3	Ending balance, December 31, 2010
Investments, at fair value	\$ 32,731	\$ 15,556	\$ (2,804)	\$ (1,963)	\$ (20,092)	\$ 23,428

The net transfer out of Level 3 consists of investments in private companies as at December 31, 2009 and companies which were purchased during the year ended December 31, 2010 which became publicly-traded investments during the year ended December 31, 2010.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 for the year ended December 31, 2009.

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

The net transfer out of Level 3 consists of investments in private companies as at December 31, 2008 and companies which were purchased during the year ended December 31, 2009 which became publicly-traded investments during the year ended December 31, 2009.

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

	2010	2009
Equity accounted investments - carrying value, beginning of year	\$ 1,911	\$ 3,567
Purchase of equity accounted investments	350	740
Proceeds on disposal of equity accounted investment	-	(2,650)
Gain on disposal of equity accounted investment	-	370
Transfer of equity accounted investment to investments (i)	(588)	-
Losses from equity accounted investments	(774)	(116)
Equity accounted investments - carrying value, end of year	\$ 899	\$ 1,911
Equity accounted investments - cost	\$ 1,924	\$ 2,714
Number of equity accounted investments	1	4

- (i) During the year ended December 31, 2010, one of the Company's equity accounted investments, Vesta Capital Corp. ("Vesta"), completed its acquisition of United Hydrocarbon Corporation ("UHC"), which constituted a reverse takeover of Vesta by UHC. Under the terms of the acquisition, Vesta issued a total of 113,999,772 Vesta shares to existing shareholders of UHC resulting in the dilution of Pinetree's percentage holding in Vesta from 31.7% to approximately 5.0%. Accordingly, the Company ceased accounting for its investment in Vesta using the equity method as at April 23, 2010. The Company now classifies its investment in Vesta as investments, at fair value. The fair value of the Company's investment in Vesta at the time of the change in accounting method from the equity method to the fair value method was \$300 and the dilution gain resulting from the change in accounting method was \$141, which is included in unrealized gains on investments.

During the year ended December 31, 2010, the Company also reclassified its equity accounted investment, Western Troy Capital Resources Inc. ("Western Troy") to investments, at fair value. On November 30, 2010, Western Troy completed two non-brokered private placements and issued 5,000,000 units resulting in the dilution of Pinetree's percentage holding in Western Troy from approximately 22.3% to approximately 18.3%. Each unit consisted of one common share and one warrant. Accordingly, the Company ceased accounting for its investment in Western Troy using the equity method as at November 30, 2010. The fair value of the Company's investment in Western Troy at the time of the change in accounting method from the equity method to the fair value method was \$2,820 and the dilution gain resulting from the change in accounting method was \$2,391, which is included in unrealized gains on investments.

During the year ended December 31, 2010, the Company ceased to have significant influence in its equity accounted investment, AlphaNorth General Partner Inc. ("AGP"), a company established under the laws of Ontario, Canada, and as a result, reclassified its investment in AGP to investments, at fair value. (See Related Party Transactions section elsewhere in this MD&A).

See "Accounting Policy For Valuing Investments" for details of how the Company values investments accounted for using the equity method. Refer to Note 3 to the audited consolidated financial statements as at and for the years ended December 31, 2010 and 2009 for additional details about the Company's investment portfolio.

Results of Operations:

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

	2010	2009	2008
Net investment gains (losses)	\$ 382,880	\$ 207,172	\$ (428,775)
Net income (loss) for the year	295,778	157,393	(356,048)
Earnings (loss) per share – basic	2.18	1.19	(2.92)
Earnings (loss) per share – diluted	2.15	1.18	(2.92)
Total assets	796,695	383,562	201,398
Total liabilities	154,114	40,870	27,188
Shareholders' equity	642,581	342,692	174,210

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

	Quarter ended (unaudited)			
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Net investment gains (losses)	\$ 291,717	\$ 141,893	\$ (72,579)	\$ 21,849
Net income (loss) for the period	228,915	114,181	(61,646)	14,328
Earnings (loss) per share – basic	1.68	0.84	(0.45)	0.11
Earnings (loss) per share – diluted	1.65	0.84	(0.45)	0.10

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

Three Months Ended December 31, 2010 and 2009:

For the three months ended December 31, 2010, the Company generated a net realized gain on disposal of investments of \$26,888, as compared to \$9,661 for the three months ended December 31, 2009. The change reflects much improved market conditions at the end of the current period versus the previous year period.

The Company had net unrealized gains on investments of \$265,030 for the three months ended December 31, 2010, as compared to \$28,122 for the three months ended December 31, 2009. Net unrealized gains for the three months ended December 31, 2010, were comprised of \$260,095 from the write-up to market on the Company's investments and \$4,935 from the reversal of previously recognized net unrealized losses on the disposal of investments during prior periods. Of the net unrealized gains for the three months ended December 31, 2009, \$11,538 arose from the write-up to market on the Company's investments and \$16,584 from the

reversal of previously recognized net unrealized losses on the disposal of investments during the three months ended December 31, 2009.

For the three months ended December 31, 2010, the Company had losses from its equity accounted investments of \$201 as compared to losses from its equity accounted investments of \$77 for the three months ended December 31, 2009.

During the three months ended December 31, 2010, other income totalled \$191, as compared to \$457 for the three months ended December 31, 2009. Other income is comprised of \$146 (three months ended December 31, 2009 – \$147) from consulting fees and rental income and \$45 (three months ended December 31, 2009 - \$310) of interest income earned on certain of the Company's investments.

Operating, general and administrative expenses in the three months ended December 31, 2010 increased to \$28,266 from \$8,985 in the three months ended December 31, 2009, an increase of \$19,281. The increase was primarily due to a bonus accrual of \$24,774 to the Company's Chairman and Chief Executive Officer (the "CEO") as compared to \$6,000 for the three months ended December 31, 2009. The Company records a bonus accrual quarterly based on quarter-end results (and subsequent quarterly adjustments/reversals), although the CEO's entitlement to receive a bonus is only determined based on year-end results as at December 31. The increase was also due to other accrued bonuses of \$350 to officers of the Company offset by a decrease in stock-based compensation expense of \$490. Excluding the bonus accruals and stock-based compensation expense, operating, general and administrative expenses during the three months ended December 31, 2010 increased by 35.4% to \$2,476 from \$1,829 for the three months ended December 31, 2009.

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

	Three months ended December 31,	
	<u>2010</u>	<u>2009</u>
Consulting fees and salaries expense (a)	\$ 26,964	\$ 6,641
Stock-based compensation expense (b)	666	1,156
Professional fees (c)	134	388
Shareholder relations, transfer agent and filing fees	114	30
Travel, meals, and entertainment	90	98
Rent and insurance expenses	140	128
Office and general (d)	158	544
	\$ 28,266	\$ 8,985

- (a) Consulting fees and salaries expense increased by \$20,323 as compared to the three months ended December 31, 2009. The increase was primarily due to a bonus accrual of \$24,774 (2009 - \$6,000) to the CEO and the related employer's health tax ("EHT") of \$483 in the current quarter based on the Company's results for the period. Pursuant to the CEO's employment agreement, he is entitled to receive an annual bonus. See Accrual of CEO Bonus under "Critical Accounting Estimates" elsewhere in this MD&A. During the three months ended December 31, 2010, the Company also accrued other bonuses of \$350 to

officers of the Company. Excluding the bonuses the remaining increase of \$716 was due to an increase in the number of employees/consultants and an overall increase in salaries.

- (b) Stock-based compensation expense decreased by \$490 as compared to the three months ended December 31, 2009. The decrease in the three months ended December 31, 2010 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 decreased by \$254 as compared to the three months ended December 31, 2009. The decrease was primarily due to a decrease in accruals for legal fees.
- (d) Office and general decreased by \$386 as compared to the three months ended December 31, 2009. The decrease was primarily due to an accrual of \$385 for capital tax in one of the Company's subsidiaries which was reversed in the first quarter of 2010.

Transaction costs increased by \$107 to \$721 from \$614 for the three months ended December 31, 2009, due to an increase in the volume of trading conducted by the Company during the three months ended December 31, 2010. 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 December 31, 2010, the Company experienced a foreign exchange gain of \$113 on its foreign denominated net assets as compared to a foreign exchange loss of \$190 during the three months ended December 31, 2009. The net foreign exchange gain in the three months ended December 31, 2010 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 liabilities.

Interest expense increased to \$220 in the three months ended December 31, 2010 as compared to \$75 in the three months ended December 31, 2009 due to an increase in borrowings from broker (use of margin).

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, in light of market volatility. The Facility (which was to expire on December 31, 2010 but was subsequently extended) matures on December 31, 2011, 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 subordinate of the Company's brokers in respect to its margin borrowings. During the three months ended December 31, 2010, there was nil outstanding under the Facility.

The Company recorded a provision for income taxes in the three months ended December 31, 2010 of \$33,865 as compared to \$7,972 in the three months ended December 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 December 31, 2010 was \$228,915 (\$1.68 per share) as compared to \$20,294 (\$0.15 per share) for the three months ended December 31, 2009. The net income in the current period was primarily due to the accounting recognition of the increase in the fair value of the Company's investments in accordance with Pinetree's accounting policies.

Years Ended December 31, 2010 and 2009:

For the year ended December 31, 2010, the Company generated a net realized gain on disposal of investments of \$43,091, as compared to a net realized loss on disposal of investments of \$22,426 for the year ended December 31, 2009.

The Company had net unrealized gains on investments of \$340,563 for the year ended December 31, 2010, as compared to 229,344 for the year ended December 31, 2009, reflecting the overall improvements in the stock prices of the Company's investments in the year ending December 31, 2010. Net unrealized gains for the year ended December 31, 2010, were comprised of \$341,227 from the write-up to market on the Company's investments offset by \$664 from the reversal of previously recognized net unrealized gains on the disposal of investments during the year ended December 31, 2010. Of the unrealized net gains for the year ended December 31, 2009, \$151,667 arose from the net write-up to market on the Company's investments and \$77,677 from the reversal of previously recognized net unrealized losses on the disposal of investments.

For the year ended December 31, 2010, the Company had losses from its equity accounted investments of \$774 as compared to \$116 for the year ended December 31, 2009. During the year ended December 31, 2009, the Company also sold one equity accounted investment, for a gain on disposal of equity accounted investment of \$370. Refer to the Related Party Transactions section elsewhere in this MD&A.

During the year ended December 31, 2010, other income totalled \$1,639, as compared to \$3,848 for the year ended December 31, 2009. Other income is comprised of \$585 (2009 – \$3,388) from consulting and administrative fees and \$1,054 (2009 - \$460) from interest and dividend income earned on certain of the Company's investments. Consulting and administrative fees decreased by \$2,803 for the year ended December 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 year ended December 31, 2010 increased to \$42,021 from \$15,522 in the year ended December 31, 2009. The increase was primarily due to a bonus accrual of \$32,218 to the CEO and related EHT of \$628 (as previously discussed) as compared to a bonus accrual of \$6,000 in the prior year period offset by a decrease in stock-based compensation expense of \$1,302. During the year ended December 31, 2010, the Company also paid other bonuses of \$400 to officers of the Company. Excluding the bonus accrual and stock-based compensation expense, operating, general and administrative expenses during the year ended December 31, 2010 increased by \$1,183 (22.3%) to \$6,482 from \$5,299, as described further below.

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

	Twelve months ended December 31,	
	2010	2009
Consulting fees and salaries expense (a)	\$ 36,032	\$ 8,238
Stock-based compensation expense (b)	2,921	4,223
Professional fees (c)	908	769
Shareholder relations, transfer agent and filing fees	357	262
Travel, meals, and entertainment	357	252
Rent and insurance expenses	564	508
Office and general (d)	882	1,270
	\$ 42,021	\$ 15,522

- (a) Consulting fees and salaries expense increased by \$27,794 as compared to the year ended December 31, 2009. The increase was primarily due to a bonus accrual of \$32,218 (2009 - \$6,000) to the CEO in the current year based on the Company's results for the year as previously discussed. See Related Party Transactions section.
- (b) Stock-based compensation expense decreased by \$1,302 as compared to the year ended December 31, 2009. The decrease in the current year was a result of the termination of unvested stock options granted during prior periods and options which were fully vested and expensed in the prior year. Unvested terminated stock options are not expensed during the period.
- (c) Professional fees increased by \$139 as compared to the year ended December 31, 2009. The increase in professional fees is primarily due to an increase in the cost of tax advisory and IFRS advisory services.
- (d) Office and general decreased by \$388 as compared to the year ended December 31, 2009. The decrease was primarily from an accrual in the year ended December 31, 2009 of \$385 for the estimated capital tax payable which was reversed in the year ended December 31, 2010 offset by an increase of \$211 in the fair value of the Class C preferred shares as at December 31, 2010.

During the year ended December 31, 2010, transaction costs increased \$41 to \$1,532 from \$1,491 for the year ended December 31, 2009, due to an increase in the volume of trading conducted by the Company during the current year. 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.

During the year ended December 31, 2010, the Company had a foreign exchange loss of \$70 on its foreign denominated net liabilities as compared to \$1,571 during the year ended December 31, 2009.

During the year ended December 31, 2010, included in the consolidated statements of operations is \$183 in interest and standby fee expense relating to the Facility as compared to \$1,532 for the year ended December 31, 2009. Interest expense decreased by 62.5% to \$662 in the year ended December 31, 2010, as compared to \$1,766 in the year ended December 31, 2009, due to a general decrease in borrowings under the Facility as discussed earlier.

The Company recorded a provision for income taxes for the year ended December 31, 2010 of \$44,322 as compared to \$33,146 for the year ended December 31, 2009. The provision for income taxes in the current year was primarily due to a decrease in the FTA arising from a decrease in the excess of tax cost over fair value on investments held at the end of the year, partially offset by the tax effect of non-capital losses carried forward.

Net income for the year ended December 31, 2010 was \$295,778 (\$2.18 per share) as compared to \$157,393 (\$1.19 per share) for the year ended December 31, 2009. The net income in the current year was primarily due to the accounting recognition of the increase in fair value of the Company's investments in accordance with Pinetree's accounting policies.

Cash Flow:

Three Months Ended December 31, 2010 and 2009

Net cash used in operating activities was \$3,259 in the three months ended December 31, 2010, compared to \$928 in the three months ended December 31, 2009.

In the three months ended December 31, 2010, the Company generated cash from financing activities of \$37,039 as compared to \$24,353 in the three months ended December 31, 2009. In the current period, the Company used an additional \$36,109 in margin borrowings from brokers and received total proceeds of \$922 from the exercise of stock options. In the three months ended December 31, 2009, the Company used an additional \$24,028 in margin borrowings from brokers.

In the three months ended December 31, 2010, net cash used in investing activities was \$33,716 as compared to \$23,133 in the three months ended December 31, 2009. During the current period, the Company had proceeds from disposition of investments of \$81,683, an increase of \$28,299, when compared to \$53,384 of proceeds from dispositions in the three months ended December 31, 2009. In the three months ended December 31, 2010, the Company purchased \$115,055 of investments, an increase of \$38,584 as compared to \$76,471 of investment purchases in the three months ended December 31, 2009. In the three months ended December 31, 2010, the Company also purchased additional equity accounted investments of \$350.

For the three months ended December 31, 2010, the Company had a net increase in cash and cash equivalents of \$64 as compared to \$292 during the three months ended December 31, 2009, leaving a cash and cash equivalents balance of \$158 as at December 31, 2010 as compared to a cash and cash equivalents balance of \$404 as at December 31, 2009.

Year Ended December 31, 2010 and 2009

Net cash used in operating activities was \$10,791 in the year ended December 31, 2010, compared to net cash generated in operating activities of \$9,982 in the year ended December 31, 2009.

In the year ended December 31, 2010, the Company generated net cash from financing activities of \$53,032 as compared to \$7,529 in the year ended December 31, 2009. In the current year, cash was generated from an additional \$51,897 in margin borrowings from brokers and total proceeds of \$1,190 from the exercise of stock options. In the year ended December 31, 2009, the Company received an additional \$33,623 from brokers and repaid \$24,234 in advances from the CEO, \$1,250 from an affiliated company and \$953 in bank indebtedness.

In the year ended December 31, 2010, net cash used in investing activities was \$42,487 as compared to \$17,135 in the year ended December 31, 2009. During the current year, the Company had proceeds from disposition of investments of \$187,237, an increase of \$3,115, when compared to \$184,122 of dispositions in the year ended December 31, 2009. The Company purchased \$229,357 of investments, an increase of \$26,240 as compared to \$203,117 of investment purchases in the year ended December 31, 2009. During the year ended December 31, 2009, the Company also received proceeds on disposal of an equity accounted investment of \$2,650.

For the year ended December 31, 2010, the Company had a net decrease in cash and cash equivalents of \$246 as compared to a net increase of \$376 during the year ended December 31, 2009, leaving a cash and cash equivalents balance of \$158 as compared to a cash and cash equivalents balance of \$404 as at December 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 the CEO.

During the year ended December 31, 2010, as part of its ongoing capital management (see "Management of Capital" for details of the Company's approach to managing its capital resources), 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 December 31, 2010, the amount used from the Facility and advances from affiliated company remains zero. The Facility was due to mature on December 31, 2010 but has been extended to December 31, 2011 and management is considering the optimal means of replacement and/or renewal of the Facility in view of existing circumstances and opportunities.

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

Consolidated Balance Sheet Highlights	December 31, 2010	December 31, 2009
Investments, at fair value	\$ 793,864	\$ 366,724
Equity accounted investments	899	1,911
Total assets	796,695	383,562
Total liabilities	154,114	40,870
Share capital, warrants and broker warrants and contributed surplus	372,983	368,872
Retained earnings (deficit)	269,598	(26,180)
Net asset value per share – Basic	\$ 4.71	\$ 2.53
Net asset value per share – Diluted	\$ 3.85	\$ 2.05

Equity accounted investments, together with the fair value of the Company's portfolio, increased to \$794,763 from \$368,635 as at December 31, 2009, an increase of 115.6%. Net asset value per share (basic) increased 86.2% to \$4.71 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 year ended December 31, 2010, the Company disposed of investments for proceeds of \$187,237, and purchased investments totaling \$229,357, as noted above in the Cash Flow section. The Company used additional margin of \$51,897 to pay for the net cash used in the purchases of investments.

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 the 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 year ended December 31, 2010.

Liabilities:

As at December 31, 2010, total current liabilities increased to \$120,193 as compared to \$40,870 as at December 31, 2009, a 194.1% increase. The increase was primarily due to an increase in due to brokers and bonus accrual to the CEO as discussed below.

- (a) As at December 31, 2010, the Company had used margin (due to brokers) of \$85,570 as compared to \$33,673 as at December 31, 2009, an increase of \$51,897. 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 rate equal to the broker's overnight rate plus 0.40%.

- (b) During the year ended December 31, 2009, Pinetree's wholly owned 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.

During the year ended December 31, 2010, 4,400 Class C Shares were cancelled by PCIC following their retraction by the holders at prices of between \$10.00 per share and \$15.10 per share plus accrued and unpaid dividends. As at December 31, 2010, 27,500 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. During the year ended December 31, 2010, PCIC paid total dividends of \$16 to Class C shareholders which were expensed as an operating, general and administrative expense in the consolidated statements of operations.

The Class C Shares' redemption and retraction prices are linked to the market price of the Company's common shares, subject to a minimum redemption price (at any time) and minimum retraction price (until the first anniversary of issue) of \$10 per share. As at December 31, 2010, both the redemption price and the retraction price in effect was \$19.25 per share (December 31, 2009 - \$11.69 per share). Accordingly, as at December 31, 2010, the Company recorded an increase in the fair value of the Class C Shares of \$211 (2009 - \$54) which was expensed as an operating, general and administrative expenses in the consolidated statements of operations. As at December 31, 2010, the Company had Class C preferred share liabilities of \$529 (December 31, 2009 - \$373).

- (c) The Company has an operating line of credit with RBC for up to \$250 (which was reduced from \$1,000 in August 2010), collateralized by the Company's assets, which it uses from time to time. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand. As at December 31, 2010, the Company had repaid all outstanding amounts used on the operating line.
- (d) As at December 31, 2009, included in accounts payable and accrued liabilities was accrued bonuses of \$6,000 due to the CEO. Pursuant to the CEO's employment agreement effective January 1, 2010, 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 adjusted. For the year ended December 31, 2010, the Company has accrued a bonus to the CEO of \$32,218 and related EHT of \$628. As at December 31, 2010, the Company also accrued other bonuses of \$350 payable to officers of the Company.
- (e) As at December 31, 2010, the Company had accrued future income tax liabilities of \$33,921 as compared to nil as at December 31, 2009. The future income tax liability was primarily attributable to applying the expected tax rate for future periods of 28.5% (at a capital gains rate) to the excess of fair value over tax cost on certain investments held at December 31, 2010.

Commitments:

As at December 31, 2010, the Company had material commitments for cash resources of \$156,171 which are detailed below and all of which are due on demand. The disposition of the Company's investments in the normal course would be sufficient to pay these material commitments.

A breakdown of the Company's liabilities and obligations as at December 31, 2010 is as follows:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 85,570	\$ 85,570	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	34,094	34,094	-	-	-
Class C preferred share liabilities	529	529	-	-	-
Future income tax liabilities	33,921	-	33,921	-	-
Lease commitments	2,057	689	1,368	-	-
	\$ 156,171	\$ 120,882	\$ 35,289	\$ -	\$ -

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

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

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

The Company continues to have no long-term debt; however, the Company made a lease commitment for its premises starting January 1, 2007 for annual payments of approximately \$641 (\$53 monthly) until December 31, 2010 and approximately \$681 (\$57 monthly) from January 1, 2011 to December 31, 2013. The Company also has consulting agreements with officers representing approximately \$49 per month that are automatically renewed annually.

Related Party Transactions:

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

Related party transactions were as follows during the years ended December 31:

Type of service	Nature of relationship	2010	2009
Consulting fees (a)	Officers	\$ 867	\$ 7,135
Director fees	Directors	159	136
Interest expense (b)	Director, shareholder, and officer	183	1,532
Other income (c)	Affiliated companies	585	3,388
Realized gain (losses) on disposal of investments (d)	Affiliated companies	-	406
Realized gain on disposal of equity accounted investments (e)	Director, shareholder, and officer	-	370

- (a) Consulting agreements are with the Company's Vice President - Legal & Corporate Affairs, Vice President – Business Development, Vice President – Research, Vice President – Trading, Head Trader, and Vice President, Corporate Development and Chief Financial Officer. The costs relating to these agreements are included in operating, general and administrative expenses. For the year ended December 31, 2010, included in consulting fees is \$400 (2009 - \$6,000) in bonus payments to officers of the Company. In the prior year, the Company also had a consulting agreement with the Company's Chairman and Chief Executive Officer ("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. During the year ended December 31, 2010, a maximum balance of \$4,490 (2009 - \$24,549) was outstanding under the Facility. Included in the consolidated statements of operations is \$183 (2009 - \$1,532) of interest and standby fee expense relating to the Facility. As at December 31, 2010 and 2009, there was nil outstanding 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 \$585 (2009 - \$3,388) from companies in which Pinetree has a common director and common officers. The Company has a cost sharing arrangement with certain of its affiliated companies covering specific operating, general and administrative expenses, including lease commitments and salaries.
- (d) During the year ended December 31, 2009, the Company sold certain of its investments at market prices to Mega Uranium Ltd. ("Mega"). The Company has an investment in Mega, which is a company with a common director and common officers of the Company and 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 activities.

- (e) During year ended December 31, 2009, the Company sold an equity accounted investment, its 50% interest in PowerOne Capital Markets Limited with a carrying value of \$2,280, to the Company's CEO for total proceeds of \$2,650. The Company recognized a gain on the disposal of the equity accounted investment of \$370.
- (f) On March 10, 2010, the Company entered into an 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 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. At the time of the agreement, the Company had a common director and owned a 20% interest in the Fund's general partner, AGP. As at December 31, 2010, the Company no longer has a common director with AGP.
- (g) 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.
- (h) The Company has investments in listed issuers who are related parties with a common director and common officers of the Company or related parties with a director who is an officer of the Company. See notes 3(a, b) of the Notes to the consolidated financial statements as at and for year ended December 31, 2010 and 2009.
- (i) During the year ended December 31, 2010, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
April 1, 2010	250,000	\$ 1.83	March 31, 2015
June 1, 2010	1,165,000	1.46	May 31, 2015
September 1, 2010	250,000	1.41	August 31, 2015
December 1, 2010	250,000	3.23	November 30, 2015
Total granted	1,915,000		

Internal Controls Over Financial Reporting:

Disclosure Controls and Procedures

The Company is required annually to review and report on the effectiveness of its disclosure controls and procedures ("DC&P") in accordance with National Instrument 52-109, "Certification

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

The CEO and CFO have evaluated the design of the Company's DC&P as at December 31, 2010 and have concluded that the DC&P were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

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

Internal Controls Over Financial Reporting

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

The design and operating effectiveness of the Company's ICFR were evaluated by the CEO and CFO in accordance with criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and NI 52-109, as at December 31, 2010. The CEO and CFO have evaluated the ICFR as at December 31, 2010. The CEO and CFO have not identified in their review any weaknesses that have materially affected or are reasonably likely to materially affect Pinetree's ICFR. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective in providing reasonable assurance that its financial reporting is reliable and its consolidated financial statements were prepared in accordance GAAP.

There were no changes in the Company's ICFR that occurred during the three months ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

Management of Capital:

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

	2010	2009
Due to brokers	\$ 85,570	\$ 33,673
Class C preferred share liabilities, at fair value	529	373
Shareholders' equity comprised of		
Share capital	276,629	274,725
Warrants and broker warrants	66,524	67,139
Contributed surplus	29,830	27,008
Retained earnings (deficit)	269,598	(26,180)
	\$ 728,680	\$ 376,738

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. There were no changes to the Company's objectives in managing and maintaining capital since December 31, 2009. 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 the 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.

In August 2010, the Company's operating line of credit with RBC was reduced to \$250 from \$1,000 as previously discussed. As at December 31, 2010 and 2009, the Company had nil outstanding on the line of credit.

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 common 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. During the year ended December 31, 2010, PCIC paid total dividends of \$16 to Class C shareholders. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 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 not 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 materially adverse impact on the Company's operating results.

There were no changes to the way the Company manages liquidity risk since December 31, 2009. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow given its daily margin availability. The Company holds investments which can be converted into cash when required.

As at December 31, 2010, the Company had used margin of \$85,570 and had additional margin available of \$7,214. As at December 31, 2010, there would be no change to the Company's available margin from a change in the closing bid price of the Company's investments by -10% to 10% with all other variables held constant as at December 31, 2010.

As at December 31, 2009, the Company had used margin of \$33,673 and had additional margin available of \$1,831. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2009:

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

As at December 31, 2010, the Company also had Class C preferred share liabilities of \$529 (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. The redemption/retraction price in effect as at December 31, 2010 was \$19.25 per share (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 December 31, 2010:

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	\$ 275	\$ -
2.00	10.71	295	20
2.25	12.05	331	56
2.50	13.39	368	93
2.75	14.73	405	130
3.00	16.06	442	167
3.25	17.40	479	204
3.50	18.74	515	240
3.75	20.08	552	277
4.00	21.42	589	314
4.25	22.76	626	351
4.50	24.10	663	388

The following table shows the estimated sensitivity of the Company's Class C preferred share liability amounts based on different 20-day VWAT prices of the Company's common shares as at December 31, 2009:

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

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at December 31, 2010:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 85,570	\$ 85,570	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	34,094	34,094	-	-	-
Class C preferred share liabilities	529	529	-	-	-
Future income tax liabilities	33,921	-	33,921	-	-
	\$ 154,114	\$ 120,193	\$ 33,921	\$ -	\$ -

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 years	4 – 5 years	After 5 years
Due to brokers	\$ 33,673	\$ 33,673	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	6,824	6,824	-	-	-
Class C preferred share liabilities	373	373	-	-	-
	\$ 40,870	\$ 40,870	\$ -	\$ -	\$ -

(b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Additionally, in accordance with CICA Handbook Section 3855, Pinetree is required to mark to market its held-for-trading investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position.

There were no changes to the way the Company manages market risk since December 31, 2009. 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: precious metals, uranium and coal, base metals, oil & gas, potash, lithium and rare earths. 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 for the year ended December 31, 2010 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2010:

Percentage of change in closing bid price	Change in net after-tax income from % increase in closing bid price	Change in net after-tax income from % decrease in closing bid price
2%	\$ 13,615	\$ (13,615)
4%	27,230	(27,230)
6%	40,844	(40,844)
8%	54,459	(54,459)
10%	68,074	(68,074)

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

Percentage of change in closing bid price	Change in net after-tax income from % increase in closing bid price	Change in net after-tax income from % decrease in closing bid price
2%	\$ 6,248	\$ (6,248)
4%	12,496	(12,496)
6%	18,744	(18,744)
8%	24,992	(24,992)
10%	31,240	(31,240)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's income and liabilities. As at December 31, 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. There were no changes to the way the Company manages interest rate risk since December 31, 2009. Pinetree does not hedge against any interest rate risk.

The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 31, 2010 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2010:

Change in interest rate	Change in net after-tax income from an increase in interest rate	Change in net after-tax income from a decrease in interest rate
0.25%	\$ (103)	\$ 103
0.50%	(206)	206
0.75%	(309)	309
1.00%	(411)	411

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

Change in interest rate	Change in net after-tax income from an increase in interest rate	Change in net after-tax income from a decrease in interest rate
0.25%	\$ (29)	\$ 29
0.50%	(58)	58
0.75%	(87)	87
1.00%	(116)	116

(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.

There were no changes to the way the Company manages currency risk since December 31, 2009. 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:

	2010	2009
Denominated in U.S. dollars:		
Investments	\$ 8,364	\$ 11,885
Cash and cash equivalents	9	11
Due from brokers	14	24
Prepays and other receivables	591	129
Due to brokers	(2,632)	(139)
Accounts payable and accrued liabilities	(14)	(22)
Net assets denominated in U.S. dollars	<u>6,332</u>	<u>11,888</u>
Denominated in Australian dollars:		
Investments	14,533	11,335
Due from (to) brokers	2,004	(443)
Net assets denominated in Australian dollars	<u>16,537</u>	<u>10,892</u>
Denominated in British pounds:		
Investments	2,942	86
Due to brokers	(1,091)	-
Net assets denominated in British pounds	<u>1,851</u>	<u>86</u>

The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 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 December 31, 2010:

Percentage of change in U.S. dollar	Change in net after-tax income from an increase in % in the U.S. dollar exchange rate	Change in net after - tax income from a decrease in % in the U.S. dollar exchange rate
2%	\$ 87	\$ (87)
4%	175	(175)
6%	262	(262)
8%	349	(349)
10%	437	(437)

The following table shows the estimated sensitivity of the Company's net after-tax income for the year ended December 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 December 31, 2010:

Percentage of change in Australian dollar	Change in net after-tax income from an increase in % in the Australian dollar exchange rate	Change in net after - tax income from a decrease in % in the Australian dollar exchange rate
2%	\$ 228	\$ (228)
4%	456	(456)
6%	685	(685)
8%	913	(913)
10%	1,141	(1,141)

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

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

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

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

(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 securities lending and convertible or debt securities, for example) will not perform their underlying obligations. There were no changes to the way the Company manages credit risk since December 31, 2009.

The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. As at December 31, 2010, the total fair value of these investments was \$506 (2009 - \$1,498). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.1% (2009 – 0.4%) of the Company's total investments.

During the year ended December 31, 2010, the Company entered into a securities lending agreement ("SLA") with one of its prime brokers in order to earn additional revenue, which is included in other income in the consolidated statements of operations. The Company receives collateral in an amount equal to the percentage of the market value of the loaned securities as agreed upon with the prime broker. The securities on loan continue to be included in investments on the consolidated balance sheets. The Company believes it is not significantly exposed to credit risk since the prime broker is required to pay the Company the fair value of the securities loaned if the securities are not returned upon the Company's request. As at December 31, 2010, the total fair value of investments loaned to third parties was \$5,355 which comprise 0.7% 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, and accounts payable and accrued liabilities 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 components and, as such, comprehensive income is equal to net income.

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.

Securities Loaned to Third Parties:

As previously discussed under Credit Risk, the Company has a SLA with one of its prime brokers. Under the SLA, the Company has the option of lending its securities held at the broker when requested by a third party. There is a risk that the securities loaned under the SLA may not be returned to the Company, however, the prime broker assumes all the risk and is required to return the securities to the Company or its fair market value.

Off-Balance Sheet Arrangements:

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

Outstanding Share Data:

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

As at March 10, 2011, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Pinetree are as follows:

Common shares	Number
Outstanding	136,375,673
Issuable under options	9,877,420
Issuable under warrants	20,513,650
Total diluted common shares	166,766,743

Refer to note 10 of the Notes to the consolidated financial statements as at and for the year ended December 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.

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:

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 in the prior year.

The Company is in the process to transition from GAAP to IFRS. The initial analysis of IFRS in comparison with GAAP has identified a number of differences. The Company expects that most adjustments required upon transition to IFRS will be made retrospectively against opening retained earnings which will be 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 has analyzed the various choices and will implement those which are determined to be most appropriate to the Company's particular circumstances.

As part of the IFRS transition from GAAP, the Company assessed the effects of IFRS adoption on the Company's ICFR and DC&P and has determined that no significant changes prior to the changeover date are required. The Company does not anticipate IFRS to significantly impact other elements of a changeover plan such as its accounting system or investment management system.

Below are the key areas where accounting policy changes that are going to be implemented as a result of the transition to IFRS, are most likely to impact the Company's reported results. None of the IFRS changes are expected to have an impact on the Company's total assets or total liabilities that were previously reported under GAAP. The analysis below should not be regarded as a complete list of estimated changes that will result from transition to IFRS and are intended to highlight those areas the Company currently believes to be most significant. Disclosure shall be made in the Company's first quarter 2011 MD&A for any significant changes in the adjustments as a result of completing transition to IFRS.

The individual amounts disclosed are pre-tax estimates only, and are based on current expectations.

(i) IFRS 2 - Share Based Payment:

IFRS 2 prescribes different valuations and measurement techniques for options that vest at different time periods. As permitted under IFRS 1, the Company has elected to not apply IFRS 2 to stock options that vested prior to January 1, 2010. The Company will retrospectively adopt IFRS 2 requirements for all stock options that are outstanding and not vested on January 1, 2010.

Upon transition, the Company has estimated a potential adjustment to be an increase in contributed surplus of approximately \$1,037 and a corresponding reduction in retained earnings of the same amount. As at December 31, 2010, the Company has estimated the net adjustment to be a decrease in contributed surplus of \$321 as reported under GAAP and a corresponding increase in retained earnings of the same amount. For the year ended December 31, 2010, the net income would be increased by \$321 as compared to the net income reported under GAAP.

(ii) IFRS 9 – Financial Instruments

IFRS 9 prescribes the accounting requirements for financial instruments. IFRS 9 is effective January 1, 2013 but the Company has elected to early adopt this standard. The Company expects no significant impact on the financial instruments of the Company when compared to IAS 39 (Financial Instruments – Recognition and Measurement). The Company has no hedging activities and will continue to fair value its investment portfolio.

(iii) IAS 12 – Income Tax:

The Company is continuing to evaluate the impact of IAS 12 on its reported results and has not identified any significant impact from adoption of IAS 12 to date.

(iv) IAS 21 – Foreign Exchange:

Under IAS 21, the foreign exchange differences from translating a foreign operation will be a component of shareholder's equity rather than net income. The temporal method of translating foreign operations for consolidation purposes is not permitted under IFRS and will result in the translation of the Company's foreign operations as follows:

- Assets and liabilities whether monetary or non-monetary at the closing exchange rate at the reporting period date;
- Net and other comprehensive income at the average exchange rate;
- Exchange differences are reflected in shareholder's equity under cumulative translation differences instead of net income.

As permitted under IFRS 1, the cumulative translation difference balance will be recorded in opening retained earnings upon transition to IFRS. For the year ended December 31, 2010, the Company has estimated the net adjustment to be an increase in net income by \$1,621 as reported under GAAP and the corresponding entry to be to other comprehensive income under cumulative translation differences.

Further, under IAS 21, the Company is permitted to present foreign exchange differences under other comprehensive income in the consolidated financial statements for long-term monetary items which are part of the net investments in a foreign operation. For example, Pinetree has no plans to settle in the near future the advances from its wholly owned subsidiary, Pinetree (Barbados) Inc. The advances are eliminated upon consolidation. The impact of this on the consolidated financial statements is to reclassify exchange differences from net income into other comprehensive income under cumulative translation differences. Upon transition, the Company has estimated the net adjustment to be to increase retained earnings by \$1,427 and the corresponding entry will be to other comprehensive income under cumulative translation differences. For the year ended December 31, 2010, the Company has estimated the net adjustment to be a decrease in net income by \$1,599 as reported under GAAP and the corresponding entry to be to other comprehensive income under cumulative translation differences.

(v) IAS 28 – Investments in Associates:

There are some differences between IFRS and GAAP relating to accounting for equity accounted investments. The main differences are under IFRS potential voting rights are considered in determining “significant influence”. There is a presumption that significant influence exists if 20% or more of the voting interests are held unless it can be clearly demonstrated that this is not the case and that under IFRS an equity accounted investment is written down if its carrying value is impaired irrespective of whether it could be temporary. Under GAAP, as at December 31, 2009 the Company had four equity accounted investments and as at December 31, 2010, the Company had one equity accounted investment. The Company has determined that the carrying value of the equity accounted investments will not change.

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.	Substantially completed.
	Quantification of impact of the differences identified.	Substantially completed.
	Completion of Company's IFRS 1 decisions and quantification of the impacts of those decisions.	Substantially completed.
	Development of financial statement format and related disclosure.	In progress, will be completed for Q1 2011.
ICFR	For all changes made to Company's accounting policies, review the design and effectiveness implications on ICFR.	Substantially completed.
DC&P	For all changes made to Company's accounting policies, review the design and effectiveness implications on DC&P.	Substantially completed.
Business Activities	Review potential impacts of IFRS on financial covenants.	Completed review and determined that there are no significant impacts.
	Review potential impacts of IFRS on compensation arrangements.	Only one compensation arrangement is directly dependent upon the Company's financial results. Completed review and determined that there will be no significant impact.
IT Infrastructure	Development of new systems or changes	A review of systems has determined

	to existing systems required for the transition and post implementation timeframes.	that the impacts on the current IT infrastructure are not likely to be significant.
Financial Reporting Expertise	Development of internal IFRS expertise.	The Company has used outside training resources to develop the necessary expertise within the finance department and audit committee as needed.

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. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith.

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

1. Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair value based on quoted closing bid prices at the consolidated balance sheet date or the closing bid price on the last day the security traded if there were no trades at the consolidated balance sheet date. These are included in Level 1 in the Investments section (b).
2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These are included in Level 2 in the Investments section (b).
3. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated balance sheet

date of the underlying security less the exercise price of the warrant, and zero. These are included in Level 2 in the Investments section (b).

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

All privately-held investments (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in the Investments section (b). Options and warrants of private companies are carried at nil.

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

The following circumstances are used to determine if the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to the events described below which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. Absent the occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

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 per common share:

Basic earnings per common share is determined by dividing net income 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 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, the Company's own warrants and broker warrants, and accrual of the CEO's bonus.

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.

Changes in the fair value of our private investments for company-specific reasons have tended to be infrequent. Changes as a result of general market conditions may be more frequent from period to period during times of significant volatility; however, given the relatively small size of our private investment portfolio, such changes are not expected to have a material impact on our financial condition or operating results. The increase in fair value of our private investments for the year ended December 31, 2010 had the effect of increasing the net unrealized losses by \$1,963 (0.6% of the total unrealized gains for the year ended December 31, 2010) as compared to unrealized gains by \$18,856 for the year ended December 31, 2009 (8.2 % of the total unrealized gains for the year ended December 31, 2009).

Allowance for Future Income Tax Assets:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. As at December 31, 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 nine key inputs to determine a value for an option, warrant or broker warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. The first four inputs are facts not estimates, while the expected life and expected volatility are based on the Company's estimates. For example, a longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The following table summarizes stock options granted during the year ended December 31, 2010:

Date Granted	Options Granted	Exercise Price	Expiry
April 1, 2010	265,000	\$ 1.83	March 31, 2015
June 1, 2010	1,252,500	1.46	May 31, 2015
September 1, 2010	250,000	1.41	August 31, 2015
December 1, 2010	250,000	3.23	November 30, 2015
Total granted	2,017,500		

The fair value of the options granted during the year ended December 31, 2010 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	102.6% - 109.7%
Expected dividend yield	0.0%
Risk-free interest rate	2.25% - 3.0%
Expected option life in years	3.5
Fair value per stock option granted on April 1, 2010	\$ 1.24
Fair value per stock option granted on June 1, 2010	\$ 0.99
Fair value per stock option granted on September 1, 2010	\$ 0.96
Fair value per stock option granted on December 1, 2010	\$ 2.30

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

Black-Scholes assumptions used	
Expected volatility	97.6%
Expected dividend yield	0.0%
Risk-free interest rate	2.25%
Expected option life in years	3.5
Fair value per stock option granted on April 1, 2009	\$ 0.84
Fair value per stock option granted on June 30, 2009	\$ 1.13
Fair value per stock option granted on September 1, 2009	\$ 0.95
Fair value per stock option granted on December 1, 2009	\$ 1.35

The Company did not issue any warrants or broker warrants during the year ended December 31, 2010 or 2009.

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 nine 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.

Accrual of CEO Bonus

Pursuant to the CEO's employment with the Company, 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 payable after the fiscal year end) 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, 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 Company records a bonus accrual in each of first three financial quarters based on the then-quarterly results (as adjusted, if applicable, in light of the prior quarter accrual), and adjusts the accrual to the actual amount, if any, payable as at the end of the year based on the audited year-end results of operations. A bonus accrual reflected on the Company's interim consolidated financial statements is an estimate and may not represent an actual amount owing and payable to the CEO at the time. It reflects an estimate of the bonus that would be payable to the CEO at year-end assuming equivalent results.

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 assets less total liabilities divided by the total number of common shares of the Company outstanding. NAV (diluted) is calculated as total assets less total liabilities 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.