



## **Management's Discussion and Analysis**

**For the Period Ended:** **September 30, 2017**

**Date of Report:** **November 8, 2017**

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 unaudited condensed consolidated interim financial statements and notes thereto as at and for the three and nine months ended September 30, 2017. The same accounting policies and method of computation were followed in the preparation of the unaudited condensed consolidated interim financial statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2016.

Except as otherwise indicated (see "Use of Non-GAAP Financial Measures" elsewhere in this MD&A), all financial data in this MD&A has been prepared, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts in this MD&A are reported in thousands of Canadian dollars except per share amounts.

### **Cautionary Note Regarding Forward-Looking Information:**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or courses of action or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "anticipate", "plan", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and other similar terminology (including negative variations) suggesting future outcomes or statements regarding an outlook.

By their nature, forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The assumptions that were made in support of the forward-looking statements in this MD&A, while considered reasonable by management at the time, are inherently subject to uncertainties and no assurance can be given that these assumptions will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements contained in this MD&A.

Some of the risks, uncertainties and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: the nature of the Company's investments; the concentration of its investments in certain industries and sectors; the Company's dependence on its management team; risks affecting the Company's investments; Global, political and economic conditions; investments by the Company in private issuers which have illiquid securities; issuer-specific events that affect a company's market value; and other risks and factors discussed elsewhere in this MD&A under the heading "Risk Factors" and in the Company's current annual information form and other public disclosure documents filed with certain

Canadian securities regulatory authorities and available under Pinetree's profile at [www.sedar.com](http://www.sedar.com). These risk factors are unpredictable and outside the Company's control, and may affect the future value of the Company's investment portfolio as well as the prices at which investments may be disposed of. Adverse changes in these conditions would negatively impact the Company's ability to remain in compliance with its contractual obligations and generate working capital to fund its ongoing requirements.

The forward-looking statements contained in this MD&A are provided as of the date hereof and, except as may be required by law, the Company assumes no obligation to update or revise them to reflect new events or circumstances. All the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

### **About Pinetree:**

Pinetree was incorporated in 1962 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". The Company is domiciled in the Province of Ontario, Canada and its registered office address is at Suite 1100, 34 King Street East, Toronto, ON, M5C 2X8.

Pinetree is an investment and merchant banking firm focused on the small-cap market, with investments in technology and resource companies.

### **Overall Performance:**

During the three months ended September 30, 2017, the Company continued to take a disciplined approach to capital management in order to fund ongoing operations of the Company.

The following is Pinetree's NAV per share and Operating Expenses per NAV for the eight most recently completed interim financial periods:

	<b>Shares Outstanding</b>	<b>Net Asset Value (NAV)</b> <b>\$'000s</b>	<b>Operating Expenses (OpEx)</b> <b>\$'000s</b>	<b>NAV per share - basic*</b> <b>\$</b>	<b>Quarterly OpEx per NAV*</b> <b>%</b>
Sep-30-17	9,045,198	18,867	272	2.09	1.4
Jun-30-17	9,045,198	18,839	142	2.08	0.8
Mar-31-17	4,522,599	10,154	274	2.25	2.7
Dec-31-16	4,522,599	10,649	286	2.35	2.7
Sep-30-16	4,522,599	11,481	261	2.54	2.3
Jun-30-16	4,522,599	12,327	1,938	2.73	15.7
Mar-31-16	2,261,305	18,938	1,019	8.37	5.4
Dec-31-15	2,019,292	19,502	734	9.66	3.8

\* Refer to "Use of Non-GAAP Financial Measures"

Shares Outstanding and Net Asset Value amounts are as at the Quarter End date

Operating Expenses amounts are for the Three months ending the Quarter End date

### *Financing*

On May 12, 2017, the Company offered rights to holders of its common shares at the close of business on

the record date of May 19, 2017, on the basis of one right for each common share held. Each right entitles the holder to subscribe for one common share of Pinetree upon payment of the subscription price of \$2.10 per common share. The rights started trading on the TSX under the symbol PNP.RT from May 17, 2017 until noon on June 22, 2017 and expired at 5:00 p.m. (Toronto time) on June 22, 2017 (the "Expiry Time"), after which time unexercised rights were void and of no value. Shareholders who fully exercised their rights were entitled to subscribe pro rata for additional common shares, if available as a result of unexercised rights prior to the Expiry Time.

On June 29, 2017, the Company's shareholders exercised 4,522,599 rights for 4,522,599 common shares of Pinetree under the rights offering with gross proceeds of \$9,498. In accordance with the terms of the rights offering, 2507492 Ontario Ltd. ("250 Ontario"), a company controlled by Peter Tolnai, purchased 2,098,912 common shares of Pinetree at the same subscription price of \$2.10 per common share for gross proceeds to Pinetree of \$4,408. The Company incurred \$117 transaction costs in connection with the rights offering.

### *Investments and Operating Results*

As at September 30, 2017, the Company held investments at fair value totaling \$7,683 as compared to \$6,695 as at December 31, 2016, a 15% increase, attributable primarily to additions to the investment portfolio as well as net unrealized gain on existing investments offset by net realized losses during the nine months ended September 30, 2017.

Basic net income per share for the three months ended September 30, 2017 was \$0.00 as compared to basic net loss per share of \$0.19 for the three months ended September 30, 2016. Basic net loss per share for the nine months ended September 30, 2017 was \$0.19 as compared to basic net loss per share of \$4.05 for the nine months ended September 30, 2016.

As at September 30, 2017, net asset value per share ("NAV per share") was \$2.09 as compared to \$2.35 as at December 31, 2016. See "Use of Non-GAAP Financial Measures" elsewhere in this MD&A.

### **Summary of Investment Portfolio:**

Investments consist of the following as at September 30, 2017 and December 31, 2016:

<b>Investments by Security Type</b>	<b>September 30, 2017</b>		<b>December 31, 2016</b>	
	<b>Cost</b>	<b>Total fair value</b>	<b>Cost</b>	<b>Total fair value</b>
Equities	\$ 63,286	\$ 6,285	\$ 63,676	\$ 6,634
Warrants	200	-	200	61
Promissory notes and convertible debentures	1,132	1,398	1,131	-
<b>Total investments</b>	<b>\$ 64,618</b>	<b>\$ 7,683</b>	<b>\$ 65,007</b>	<b>\$ 6,695</b>
Investments denominated in foreign currencies		\$ 1,729		\$ 1,547
% of investments denominated in foreign currencies		23%		23%

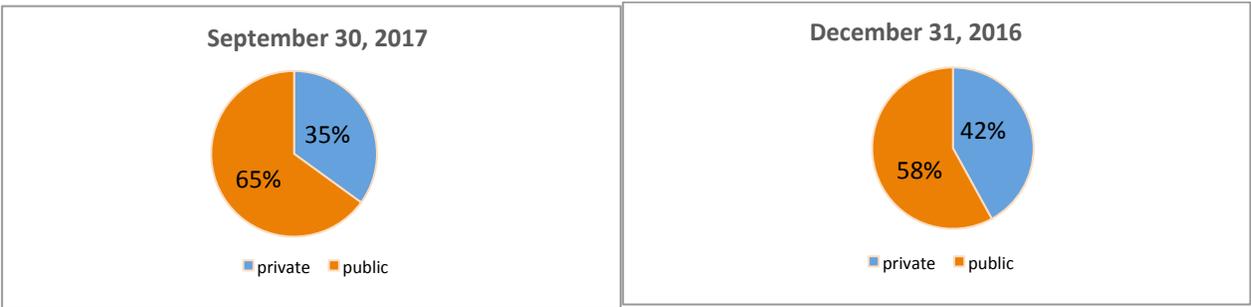
The following information regarding our portfolio is historical as at the dates indicated and may change due to the ongoing investment activities of the Company, in addition to fluctuations in the fair values of investments.

Industry Allocation\*



\*As a percentage of the aggregate fair value of our investment portfolio

Public/Private Company Allocation\*



\*As a percentage of the aggregate fair value of our investment portfolio

The fair value of Pinetree’s publicly-traded investments is determined in accordance with the Company’s accounting policy. 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. Additionally, 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 September 30, 2017, included in total investments were securities of private companies with a fair value totalling \$2,772 (cost of \$28,399) (December 31, 2016 – fair value of \$2,822 (cost of \$28,399) measured in accordance with the Company’s accounting policy for private company investments. The fair value of the private company securities decreased by \$50 due to changes in foreign exchange. The fair value was determined in accordance with the Company’s accounting policy for private company investments. The amounts at which the Company’s private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments.

Refer to note 3 of the Notes to the unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2017 for other details about the Company’s investments.

**Results of Operations:**

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

(\$ in thousands)	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net investment gains (losses)	285	(552)	(823)	(554)	(856)	(9,864)	(454)	(4,532)
Operating, general & admin costs	272	142	274	286	261	1,938	1,019	734
Comprehensive income (loss)	28	(698)	(502)	(844)	(865)	(11,916)	(1,482)	(5,922)
Gain (loss) per share basic and diluted	0.00	(0.15)	(0.11)	(0.22)	(0.19)	(3.13)	(0.66)	(2.93)

### Three Months Ended September 30, 2017 and 2016

The net investment gains for the three months ended September 30, 2017 were \$285 (three months ended September 30, 2016 – net investment losses of \$856) as a result of a net change in unrealized gains on investments as described below.

For the three months ended September 30, 2017, the Company had \$nil net realized losses on disposal of investments as compared to \$5,117 for the three months ended September 30, 2016.

For the three months ended September 30, 2017, the Company had a net change in unrealized gains on investments of \$285 as compared to a net change in unrealized gains of \$4,261 for the three months ended September 30, 2016.

For the three months ended September 30, 2017, other income totalled \$24 as compared to other income of \$265 for the three months ended September 30, 2016. Other income is comprised of interest income of \$24 (three months ended September 30, 2016 – other loss of \$1) and dividend income of \$nil (three months ended September 30, 2016 - \$264).

Operating, general and administrative expenses for the three months ended September 30, 2017 increased to \$272 from \$261 for the three months ended September 30, 2016.

- (a) Professional fees increased by \$43 as compared to the three months ended September 30, 2016 primarily due to the increased use of external legal and other professional services.
- (b) Stock-based compensation expense decreased by \$22 to \$0 for September 30, 2017, as compared to the three months ended September 30, 2016. As at September 30, 2017 all stock options are fully vested.

Finance expense decreased to \$9 in the three months ended September 30, 2017 as compared to \$13 in the three months ended September 30, 2016.

Comprehensive income for the three months ended September 30, 2017 was \$28 (\$0.00 basic income per share) as compared to net loss of \$865 (\$0.19 basic loss per share) for the three months ended September 30, 2016.

### Nine Months Ended September 30, 2017 and 2016

The net investment losses for the nine months ended September 30, 2017 was \$1,090 (nine months ended September 30, 2016 – net investment losses of \$11,174) as a result of a net change in unrealized losses on investments as described below.

For the nine months ended September 30, 2017, the Company has \$2,467 net realized losses on disposal of investments as compared to \$14,959 for the nine months ended September 30, 2016.

For the nine months ended September 30, 2017, the Company had a net change in unrealized gains on investments of \$1,377 as compared to a net change in unrealized gains of \$3,785 for the nine months ended September 30, 2016.

For the nine months ended September 30, 2017, other income totalled \$619 as compared to other income of \$431 for the nine months ended September 30, 2016. Other income is comprised of interest income of \$25 (nine months ended September 30, 2016 – \$14), \$594 (nine months ended September 30, 2016 - \$nil) funds received from the settlement agreement on a class action law suit with a company whose shares used to be in Pinetree's investment portfolio and \$nil dividend income (nine months ended September 30, 2016 - \$264). Other income in the nine months ended September 30, 2016 also included \$1 gain on purchase of convertible debentures under normal course issuer bid and \$152 gain on redemption of convertible debentures.

Operating, general and administrative expenses for the nine months ended September 30, 2017 decreased to \$688 from \$3,218 for the nine months ended September 30, 2016.

- (a) Salaries decreased by \$88 as compared to the nine months ended September 30, 2016 primarily due to a reduction in the number of employees.
- (b) Transaction costs decreased by \$68 as compared to the nine months ended September 30, 2016, due to a decrease in the volume of trading conducted by the Company.
- (c) Stock-based compensation expense decreased by \$145 as compared to the nine months ended September 30, 2016. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date.
- (d) Consulting and directors' fees decreased by \$1,645 as compared to the nine months ended September 30, 2016, due to the termination of consulting services provided by certain officers.

Finance expense decreased to \$13 in the nine months ended September 30, 2017 as compared to \$302 in the nine months ended September 30, 2016. The decrease was primarily attributable to the accretion of discount on the outstanding convertible debentures during the nine months ended September 30, 2016, which did not exist during the nine months ended September 30, 2017 after the repayment of the convertible debentures.

Comprehensive loss for the nine months ended September 30, 2017 was \$1,172 (\$0.19 basic loss per share) as compared to net loss of \$14,263 (\$4.05 basic loss per share) for the nine months ended September 30, 2016.

## Cash Flow:

Net cash used in operating activities was \$3,720 during the nine months ended September 30, 2017 as compared to net cash provided by operating activities of \$1,768 during the nine months ended September 30, 2016. During the nine months ended September 30, 2017, the Company had proceeds from disposition of investments of \$309; a decrease of \$7,546, when compared to \$7,855 of proceeds from dispositions during the nine months ended September 30, 2016. During the nine months ended September 30, 2017, the Company purchased \$2,387 of investments; an increase of \$587 as compared to \$1,800 of investments purchased during the nine months ended September 30, 2016.

During the nine months ended September 30, 2017, net cash provided by financing activities was \$9,381 as compared to \$3,473 cash used in financing activities during the nine months ended September 30, 2016. During the nine months ended September 30, 2017, the Company completed a rights offering resulting in the issuance of 4,522,599 common shares with net proceeds of \$9,381. During the nine months ended September 30, 2016, the financing activities related to the \$2,000 for the partial redemption of its Debentures and \$27 used to purchase \$28 principal of its Debentures under its 2016 normal course issuer bid, repayment of convertible debentures of \$6,688 and net proceeds from the issuance of common shares pursuant to rights offering of \$5,242.

For the nine months ended September 30, 2017, the Company had a net increase in cash and cash equivalents of \$5,661 as compared to a net decrease in cash and cash equivalents of \$1,705 for the nine months ended September 30, 2016.

## Liquidity and Capital Resources:

<b>Consolidated Statements of Financial Position Highlights</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Investments at fair value	\$ 7,683	\$ 6,695
Total assets	19,293	11,024
Total liabilities	426	375
Share capital, warrants, contributed surplus and foreign currency translation reserve	432,552	423,162
Deficit	(413,685)	(412,513)
<b>NAV per share – Basic and Diluted<sup>(i)</sup></b>	<b>\$ 2.09</b>	<b>\$ 2.35</b>

<sup>(i)</sup> See Use of Non-GAAP Financial Measures elsewhere in this MD&A

Pinetree relies upon various sources of funds for its ongoing operating and investing activities. These sources include proceeds from dispositions of investments, interest and dividend income from investments, consulting fees, and capital raising activities such as equity financings.

## Liabilities:

As at September 30, 2017, the carrying value of total liabilities was \$426 as compared to \$375 as at December 31, 2016, a 13% increase mainly attributable to an increase of operating, general and administrative expenses during the nine months ended September 30, 2017.

As at September 30, 2017, accounts payable and accrued liabilities include Class C preferred share liabilities of \$213 (December 31, 2016 - \$217). The Class C preferred shares ("Class C Shares") which are part of the share capital of Pinetree Capital Investment Corp. ("PCIC"), one of the Company's subsidiaries, are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 8% per annum, payable semi-annually.

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 of \$10 per share. As at September 30, 2017, the redemption price was \$10 per share and the retraction price in effect was \$0.11 per share (December 31, 2016 - \$0.13 per share). During the nine months ended September 30, 2017, 400 Class C shares were cancelled by PCIC following their retraction by the holders at \$0.12 per share plus accrued and unpaid dividends. During the year ended December 31, 2016, no Class C Shares were cancelled. As at September 30, 2017, 21,300 Class C Shares (December 31, 2016 - 21,700 Class C Shares) were issued and outstanding.

### Commitments:

As at September 30, 2017, the Company had material commitments for cash resources of \$426 (December 31, 2016 - \$375), an increase of \$51, which are detailed below. In management's opinion under normal economic conditions, 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 September 30, 2017 and December 31, 2016 is as follows:

Accounts payable and accrued liabilities	Total	Payments due by period			
		Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
<b>September 30, 2017</b>	<b>\$ 426</b>	<b>\$ 426</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
December 31, 2016	375	375	-	-	-

As at September 30, 2017, included in accounts payable and accrued liabilities are \$213 of Class C Shares (December 31, 2016 - \$217). The Class C Shares are redeemable and retractable at any time.

### Related Party Transactions:

All transactions with related parties have occurred in the normal course of operations.

Related party transactions included in the statement of comprehensive loss were as follows during the three months ended September 30:

Type of service	Nature of relationship	Three months ended		Nine months ended	
		September 30 2017	2016	September 30 2017	2016
Salaries, consulting & other benefits	Officers	\$ 28	\$ 0	\$ 85	\$ 870
Director fees (i)	Directors	9	17	26	67
Stock-based compensation expense	Directors and officers	-	-	-	28

(i) Non-management directors of the Company are entitled to remuneration for their services at rates approved by the board of directors. In addition, directors are reimbursed for reasonable travelling, hotel and other incidental expenses in respect of attending meetings of the directors.

No stock options were granted to directors or officers during the three and nine months ended September 30, 2017 or 2016.

### **Off-Balance Sheet Arrangements:**

As of the date of this MD&A, 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.

### **Internal Controls over Financial Reporting:**

#### Disclosure Controls and Procedures

The Company is required 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 September 30, 2017 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 IFRS, 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 September 30, 2017. The CEO and CFO have evaluated the ICFR as at September 30, 2017. 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 unaudited condensed consolidated interim financial statements were prepared in accordance with IFRS.

There were no changes in the Company's ICFR that occurred during the nine months ended September 30, 2017, 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 September 30, 2017 and December 31, 2016:

	<b>September 30, 2017</b>	December 31, 2016
Equity comprises of:		
Share capital	<b>324,410</b>	315,029
Warrants	-	1,607
Contributed surplus	<b>108,177</b>	106,561
Foreign currency translation reserve	<b>(35)</b>	(35)
Deficit	<b>(413,685)</b>	(412,513)
	<b>\$ 18,867</b>	\$ 10,649

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 and liabilities. There were no changes to the Company's objectives in managing and maintaining capital during the nine months ended September 30, 2017. The Company is not subject to any capital requirements imposed by a regulator.

### **Risk Management:**

#### Financial Instrument Risks:

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 currently comprised of financial instruments. The use of financial instruments can expose the Company to the following 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 be able to meet its financial obligations as they become due. The Company's objective in managing risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and investments. As at September 30, 2017, the Company was holding cash, and monies at deposit in brokers accounts, of \$11,543 and investments of \$7,683.

The following table shows the Company's contractual undiscounted cash flows which are payable under financial liabilities on the unaudited condensed consolidated statement of financial position as at September 30, 2017.

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 426	\$ 426	\$ -	\$ -	\$ -

(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. A 10% change in closing trade price of the Company's investments would impact net income by \$496 based upon balances as at September 30, 2017.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash and investments affected by changes in short term interest rates will be minimal. A 1% change in interest rates would impact net income by \$69 based upon balances at September 30, 2017.

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of 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 financial instruments denominated in U.S. dollars, Australian dollars, Euros 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 that the Company manages currency risk since December 31, 2016. The Company believes that it is exposed to foreign exchange risk (U.S. dollar) but 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. A 1% change in the US dollar exchange rate impacts net income by \$32 at September 30, 2017.

The following assets and liabilities were denominated in foreign currencies as at:

	<b>September 30, 2017</b>	December 31, 2016
Net assets denominated in U.S. dollars	\$ <b>3,175</b>	\$ 4,500
Net assets denominated in Australian dollars	<b>159</b>	-

(e) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. As at September 30, 2017, the total fair value of the Company's investments in convertible debentures, convertible notes, and promissory notes was \$nil (December 31, 2016 - \$nil). The Company believes that it is not significantly exposed to credit risk. There were no changes to the way that the Company manages credit risk since December 31, 2016.

(f) Concentration risk in the Company's investment portfolio

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the operating results of the Company. As at September 30, 2017 the Company has a diversified portfolio of investments where no single equity investment accounts for more than 8% of the Total Assets.

**Risk Factors:**

The Company's investing activities are, by their nature, subject to a number of inherent risks, including liquidity, market, interest rate, currency and credit risks associated with financial instruments, 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.

The Company's risks are described in its annual MD&A for the year ended December 31, 2016, which can be found on SEDAR ([www.sedar.com](http://www.sedar.com)). Additional risks not currently known to the Company or that are currently believed to be immaterial, may also affect and negatively impact the Company's business.

**Outstanding Share Data:**

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

At the date of this MD&A, 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 outstanding	<b>9,045,198</b>
Stock options outstanding to purchase common shares	<b>160,000</b>
Fully diluted common shares outstanding	<b>9,205,198</b>

Additional information about the Company's share capital can be found in note 7 of the Notes to the unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2017.

**Critical Accounting Estimates:**

The preparation of the Company's unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Critical accounting estimates used in the preparation of the Company's unaudited condensed consolidated interim financial statements are the fair value of its investments in securities not quoted in an active market (its privately-held investments), the recognition of the Company's deferred tax assets ("DTA"), the Company's estimate of inputs for the calculation of the value of stock-based compensation expense, the valuation of unlisted warrants of public companies, and the fair value of the Company's own warrants and broker warrants.

Fair Value of Investment in Securities Not Quoted in an Active Market:

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 trends in general market conditions and the share performance of comparable publicly-traded companies that may affect the fair value of either a particular private investment or a group, segment or complete portfolio of private investments.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net change in unrealized losses are recognized in the consolidated statements of comprehensive loss.

Investment at fair value	Opening balance at January 1	Purchases	Proceeds	Net realized gains (losses)	Net unrealized gains (losses)	Ending balance
September 30, 2017	\$ 2,822	\$ 0	\$ 0	\$ 0	\$ (100)	\$ 2,722
December 31, 2016	19,525	676	(6,808)	(2,980)	(7,591)	2,822

Within Level 3, the Company includes private company investments and other investment instruments such as loans to investees and convertible debentures which are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions, the share performance of comparable publicly traded companies and a strategic review.

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3:

Valuation technique	September 30, 2017		December 31, 2016	
	Fair Value	Unobservable inputs	Fair Value	Unobservable inputs
Recent financing and strategic review	\$ 1,321	Transaction price and adjustments	\$ 1,415	Transaction price and adjustments
Trends in comparable publicly-traded companies, general market conditions and strategic review	1,401		1,407	
	<b>\$ 2,722</b>		<b>\$ 2,822</b>	

For these Level 3 investments, the inputs used can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- \$681 (December 31, 2016: +/- \$706) change to the total fair value of the investments.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments.

#### Recognition of Deferred Tax Assets:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, deferred 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 September 30, 2017, management determined, based upon the Company's historical level of profit and historical market trends of a comparable market index, it is not probable that the Company will generate sufficient profit to realize the tax benefits of these deductible differences during the next several years. As such, the Company has recorded deferred tax assets of \$nil as at September 30, 2017 (December 31, 2016 - \$nil).

#### Stock-based Compensation Expense and Warrants:

The Company uses the Black-Scholes option pricing model ("B-S") to calculate stock-based compensation expense and the value of warrants issued as part of the Company's private placements. The Black-Scholes requires six key inputs to determine a value for an option, warrant or broker warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. 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. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense.

No stock options were granted during the three and nine months ended September 30, 2017 or 2016.

### Valuation of Unlisted Warrants of Public Companies:

The Company uses the Black Scholes to calculate the fair value of unlisted warrants of public companies if there are sufficient and reliable observable market inputs. If there are no reliable observable and no sufficient market inputs available, the warrants are valued using their intrinsic value. Black Scholes requires six key inputs: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. The first four inputs are facts not estimates, while the expected life and expected volatility are based on the Company's estimates. For example, a longer expected life of the warrant or a higher volatility number used would result in an increase in fair value of the warrant. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

As at September 30, 2017, the Company has valued all non-tradable warrants using intrinsic value for a total fair value of \$nil (December 31, 2016 - \$61), which is consistent with prior periods and with the Company's accounting policy for valuing non-tradable warrants.

### **Use of Non-GAAP Financial Measures:**

This MD&A contains references to "net asset value per share" (basic and diluted) ("NAV"), which is a non-GAAP financial measure. NAV is calculated as the value of total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. NAV (diluted) is calculated as total assets less total liabilities divided by the total number of common shares of the Company outstanding as at a specific date, calculated based upon the assumption that all outstanding securities of the Company that are convertible into or exercisable for common shares have been converted or exercised. The term NAV does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. There is no comparable GAAP financial measure presented in Pinetree's unaudited condensed consolidated interim financial statements and thus no applicable quantitative reconciliation for such non-GAAP financial measure. The Company has calculated NAV consistently for many years and believes that the measure provides information useful to its shareholders in understanding our performance, and may assist in the evaluation of the Company's business relative to that of its peers.

### **Additional Information:**

Additional information relating to Pinetree Capital Ltd., including its annual information form for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at ([www.sedar.com](http://www.sedar.com)).