



Pinetree Capital Ltd. Management's Discussion and Analysis

For the Year Ended: December 31, 2007

Date of Report: March 13, 2007

Nature of the Business:

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". Pinetree is a diversified investment, financial advisory and merchant banking firm focused on the small-cap market. Pinetree's investments are primarily in the following resource sectors: Uranium, Oil & Gas, Molybdenum, Precious Metals, Potash and Rare Earths, and Base Metals. As well, Pinetree has investments in the Biotechnology, Energy Related Technology, and Technology sectors. Pinetree's investment approach is to build a macro position in a sector, find the micro-cap opportunities within that sector, and work with those companies to build them to commercial production and create an exit.

The Company effected a two-for-one stock split by way of a stock dividend of one common share for every common share outstanding at the close of business on July 19, 2006. The Company effected another two-for-one stock split by way of a stock dividend of one common share for every common share outstanding at the close of business on April 5, 2007. All current and comparative figures herein have been adjusted to reflect both stock splits, retroactively.

Caution Regarding Forward-Looking Information:

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

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

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

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

Significant Accounting Policies:

This MD&A was prepared in Canadian dollars using Canadian generally accepted accounting principles ("GAAP") and includes the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc. ("Genevest"), Pinetree Resource Partnership, Pinetree Income Partnership, Pinetree (Barbados) Inc., Pinetree Capital Markets Limited, and Emerald Capital Corp. All significant inter-company accounts and transactions have been eliminated on consolidation.

This MD&A of the financial condition and results of operations should be read in conjunction with Pinetree's audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2007 and 2006. 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, 2007 and 2006.

The following are significant accounting policies:

- **Investments:**

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

- (i) **Publicly-traded investments:**

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 dates or the closing bid price on the last day the security traded if there were no trades at the consolidated balance sheet dates.

2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction.
 3. For warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated balance sheet date of the underlying security less the exercise price of the warrant, or zero.
- (ii) Privately-held investments:

All privately-held investments 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 techniques described below.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation techniques 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 each reporting period. Absent the occurrence of any of these events, the fair value of the investment is left unchanged.

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

1. There has been a significant subsequent equity financing provided by outside investors, at a valuation above the current fair value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
2. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

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

In the circumstances described above under (i) through (v), 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 fair value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
2. the investee company is placed into receivership or bankruptcy;
3. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
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;
- 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), 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.

Options and warrants of private companies are carried at nil.

(iii) Equity accounted investments:

Investments in which the Company has 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 are included in the consolidated statements of operations.

(iv) Other investment instruments:

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

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

The resulting values for 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.

- Stock-based compensation plans - The Company has stock-based compensation plans which are described in note 12(h) of the Notes to the audited consolidated financial

statements as at and for the years ended December 31, 2007 and 2006. Any consideration received on the exercise of stock options or sale of stock 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.

- Revenue recognition - Security 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 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. Deferred revenue is recognized over the period for which the revenue is earned.
- Income taxes - 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 financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.
- 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 year end. 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 year. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction.

For all accounting policies, refer to note 2 of the Notes to the audited consolidated financial statements as at and for the years ended December 31, 2007 and 2006.

Change in Accounting Policy:

Effective January 1, 2007, the Company adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, Financial Instruments – Disclosure and Presentation. Section 3861 establishes standards for disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. As there are no other comprehensive income items, comprehensive income is equal to net income.

The following is additional note disclosure on financial instruments:

(a) Risk management:

Dependence on key personnel - Pinetree is dependent upon the personal efforts and commitment of its existing and new management, who are responsible for risk management and the future development of Pinetree's business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Pinetree could result, and other persons would be required to manage and operate Pinetree.

Market risks - Unfavourable economic conditions may negatively impact the Company's ability to generate new investment opportunities. The Company manages market risk by having a diversified portfolio which is not singularly exposed to any one or class of issuers. The Company's investment activities are currently concentrated primarily in the natural resource industry which is focused among several sectors: Uranium, Oil and Gas, Molybdenum, Base Metals and Precious Metals. To minimize overexposure, Pinetree has set thresholds on purchases of private placements which require the approval of the Board of Directors.

Cash flow/revenue - The Company's liquidity and operating results may be adversely effected if the Company's access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to the Company, or if the value of the Company's investments declines resulting in capital losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions. The Company also has a line of credit with its bank and the use of margin accounts with its brokers.

Interest and credit risk - Certain of the Company's investments are exposed to the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. The Company believes it is not significantly exposed to interest or credit risk as these investments comprise less than 1% of the Company's total investments.

Foreign exchange/currency of operations - Pinetree'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. Pinetree may have margin borrowings or

monetary assets denominated in U.S. dollars, Australian dollars, South African rands, Hong Kong dollars and Great Britain pounds. A change in the foreign exchange rate of the Canadian dollar versus the foreign exchange currency may increase the Company's obligations due to brokers or decrease the value of the monetary assets. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency borrowings. Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange-denominated investments.

The following assets and liabilities were denominated in foreign currencies as at December 31, 2007 and 2006:

	2007	2006
Denominated in U.S. dollars:		
Investments	\$ 39,827	\$ 71,326
Cash and cash equivalents	31	38
Due from brokers	2,737	7,453
Accounts payable and accrued liabilities	31	77
Income taxes payable	60	10
Denominated in Australian dollars:		
Investments	13,140	26,777
Due to brokers	506	12,162
Denominated in Great Britain pounds:		
Investments	410	725
Due to brokers	—	1,319
Denominated in South African rands:		
Investments	234	—
Denominated in Hong Kong dollars:		
Investments	10	—

(b) Fair value:

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

- (i) The carrying values of cash and cash equivalents, prepaids and other receivables, bank indebtedness, due to brokers, accounts payable and accrued liabilities, advances from affiliated company, and promissory note in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments and capital assets are carried at amounts in accordance with the Company's accounting policies set out in the Notes to the consolidated financial statements for the year ended December 31, 2007 and 2006.
- (iii) Revenue is recognized in accordance with the Company's accounting policy set out above.

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

Use of Non-GAAP Measures:

This MD&A contains references to "net asset value per share" (basic and diluted). Net asset value per share ("NAV") is a non-GAAP measure defined as total shareholders' equity divided by the total number of common shares of the Company outstanding, in the case of net asset value per share (basic), and total shareholders' equity divided by the total number of common shares of the Company outstanding, calculated based upon the assumption that all outstanding options, warrants, and broker warrants of the Company have been exercised, in the case of net asset value per share (diluted). 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 the 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.

Overall Performance and Significant Events:

Selected financial highlights for the periods ended December 31:

Operating Results	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2007	2006	2007	2006
Gains on disposal of investments, net	\$ 20,305	\$ 40,330	\$ 190,838	\$ 94,251
Unrealized gains (losses) on investments, net	(13,915)	103,288	(288,369)	184,152
Income from equity accounted investment	5,548	12,932	5,548	12,932
Net investment gains (losses)	11,938	156,550	(91,983)	291,335
Net income (loss) for the period	(2,214)	97,707	(91,605)	183,127
Earnings (loss) per common share - basic	(0.02)	1.14	(0.94)	2.31
Earnings (loss) per common share - diluted	(0.02)	1.07	(0.94)	2.18

- For the year ended December 31, 2007, the Company realized net gains on disposal of investments of \$190,838 (\$1.95 per basic share) as compared to \$94,251 (\$1.19 per basic share) last year, a 102.5% increase (63.9% increase on a per share basis). For the three months ended December 31, 2007, the Company realized net gains on disposal of investments of \$20,305 as compared to a realized net gain of \$40,330 for the same period last year, a 49.7% decrease.
- For the year ended December 31, 2007, the Company had a net loss of \$91,605 (\$0.94 per basic share) as compared to net income of \$183,127 (\$2.31 per basic share) last year. For the three months ended December 31, 2007, the Company had a net loss of \$2,214 (\$0.02 per basic share) as compared to net income of \$97,707 (\$1.14 per basic share) for the same period last year. The decrease in net income for the three months and year ended December 31, 2007, respectively, versus the same periods in the prior year are due to increases in unrealized losses over the prior year as a result of reduced stock prices in the market overall.
- During the fourth quarter of 2007, the Company reclassified an investment at fair value to an equity accounted investment.
- As at December 31, 2007, the Company held investments (fair valued) and equity accounted investments of \$611,594 as compared to \$529,631 as at September 30, 2007, a 15.5% increase and as compared to \$552,377 at the end of last year, a 10.7% increase.
- As at December 31, 2007, shareholders' equity stood at \$476,927 as compared to \$404,266 as at September 30, 2007 (a 18.0% increase) and \$367,830 as at December 31, 2006 (a 29.7% increase).

The Company continues to focus on acquisitions of investments in the resource sector. As at December 31, 2007, 432 out of 487, or 88.7%, of the investments were in the resource sector. During the quarter, the Company increased its net number of resource company investments by 24. As at December 31, 2007, \$544,838 (89.1%) of the fair value of the investments were in resource companies as compared to \$463,717 (87.6%) as at September 30, 2007 and \$479,699 (86.8%) as at December 31, 2006.

Certain corporate events completed during the year ended December 31, 2007 are described below:

- In Q2, closing of a brokered private placement of 10,000,000 units of the Company at a price of \$12.13 per unit, resulting in aggregate gross proceeds to Pinetree of \$121,300.
- In Q4, closing of a brokered private placement of 13,750,000 units of the Company at a price of \$5.25 per unit, resulting in aggregate gross proceeds to Pinetree of \$72,187.
- Appointment of Mr. Donato Sferra, as Pinetree's Vice President, Investments. Mr. Sferra was an analyst with the investment arm of a Canadian bank. Previously he had practiced as a Chartered Accountant for one of the top Global accounting firms.
- Appointment of Ms. Wendy D. Warhaft as Pinetree's General Counsel. Ms. Warhaft has extensive experience as a corporate and securities lawyer, including most recently as a partner with a top Canadian law firm, and has spent her career advising large and mid-size clients in the resource, technology, biotechnology, financial services and consumer products industries.
- Appointment of Mr. Andrew Fleming to Pinetree's board of directors. Mr. Fleming is a senior partner at the law firm Ogilvy Renault LLP with over 30 years of experience in corporate, commercial, securities and banking law. Mr. Fleming has advised clients in a variety of sectors in respect of corporate finance, project finance, mergers and acquisitions, regulatory and governance matters.
- Appointment of Mr. Marshall Auerback to Pinetree's board of directors. Mr. Auerback is an independent businessman with extensive international experience in portfolio management for hedge and other investment funds. He is currently providing consulting services to a U.K.-based hedge fund group, which specializes in the natural resource sector, and a U.S. bond fund manager.
- Appointment of Mr. Peter Harder to Pinetree's board of directors, following the retirement of Dr. Joseph Greenberg. Mr. Harder is Senior Policy Advisor to the law firm Fraser Milner Casgrain LLP, prior to which, he was the longest serving Deputy Minister in the Government of Canada.
- Renewal of the Company's normal course issuer bid for its common shares (the "NCIB").

Investments:

Investments consist of the following:

Sectors:	December 31, 2007		September 30, 2007		December 31, 2006	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Resources:						
Precious metals	\$ 236,272	\$ 240,479	\$ 181,176	\$ 193,943	\$ 94,392	\$ 179,076
Uranium	166,662	118,384	152,120	131,674	82,163	187,881
Base metals	84,923	72,874	76,005	69,825	23,804	34,894
Molybdenum	40,652	50,506	33,054	24,780	-	-
Oil & gas	50,315	45,543	42,908	43,495	52,036	77,848
Potash and rare earths	5,954	17,052	-	-	-	-
Technology and other	29,701	23,805	33,926	31,305	20,136	19,504
Energy related technology	11,643	11,996	8,665	8,445	6,438	20,284
Biotechnology	13,838	11,400	13,957	11,452	11,100	10,958
Total investments	\$ 639,960	\$ 592,039	\$ 541,811	\$ 514,919	\$ 290,069	\$ 530,445

Number of Investments in each sector:						
	December 31, 2007		September 30, 2007		December 31, 2006	
		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>
Resources:						
Uranium	87	17.9	89	19.1	59	19.8
Oil & gas	56	11.5	50	10.7	37	12.4
Molybdenum	22	4.5	16	3.4	-	-
Precious metals	196	40.2	191	40.9	128	43.0
Potash and rare earths	4	0.8	-	-	-	-
Base metals	67	13.8	62	13.3	33	11.1
Biotechnology	11	2.3	13	2.8	11	3.7
Energy related technology	9	1.8	7	1.5	5	1.7
Technology and other	35	7.2	39	8.3	25	8.3
	487	100.0	467	100.0	298	100.0

During the fourth quarter, the Company added Potash and rare earths as a separate category in the resource sector.

As at December 31, 2007, the Company held investments with a fair value of \$592,039 as compared to \$530,445 at the end of last year, a 11.6% increase. The cost base of the Company's portfolio was \$639,960 as at December 31, 2007 as compared to \$290,069 as at December 31, 2006. As such, the cost exceeded fair value by \$47,921 as at December 31, 2007 versus an excess of fair value over cost of \$240,376 as at December 31, 2006. The decrease arose from two sources: the Company realized significant gains in the year of \$190,838; and recorded unrealized losses in the same period of \$288,369. The large unrealized losses in the current year were primarily a result of the overall correction in global stock markets during the second half of 2007; the reversal of previously recognized unrealized gains in the prior year; and the decrease in the value of the U.S. and Australian dollars versus the

Canadian dollar during the year, which reduced the Canadian dollar value of the Company's U.S. and Australian dollar investments (the Company reports in Canadian dollars).

The amounts at which the Company's publicly-traded investments could be disposed of currently may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

As at December 31, 2007, included in total investments were securities of private companies fair valued totaling \$52,450 (cost of \$43,589) in accordance with the Company's accounting policy for private company investments as described under Significant Accounting Policies.

Equity accounted investment consists of the following as at December 31,:

	2007	2006
Equity accounted investment – carrying value, beginning of year	\$ 21,932	\$ 9,128
Income on equity investment	5,548	12,932
Dividend received from equity accounted investment	(7,925)	(128)
Equity accounted investment – carrying value, end of year	19,555	21,932
Equity accounted investment - cost	-	-

Refer to note 4 of the Notes to the audited consolidated financial statements as at and for the year ended December 31, 2007 and 2006 for additional details of the Company's investment portfolio as at December 31, 2007 and 2006.

Results of Operations:

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

	2007	2006	2005
Net investment gains (losses)	\$ (91,983)	\$ 291,335	\$ 71,370
Net income (loss) for the year	(91,605)	183,127	51,686
Earnings (loss) per share – basic	(0.94)	2.31	0.93
Earnings (loss) per share – diluted	(0.94)	2.18	0.86
Total assets	620,179	553,828	176,337
Total liabilities	143,252	185,998	65,552
Shareholders' equity	476,927	367,830	110,785

The Company's quarterly results for the eight most recently completed interim financial periods for the year ending December 31, 2007 and 2006 are as follows:

	Quarter ended (unaudited)			
	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Net investment gains (losses)	\$ 11,938	\$ (140,152)	\$ (51,146)	\$ 87,377
Net income (loss) for the period	(2,214)	(92,305)	(44,266)	47,180
Earnings (loss) per share – basic	(0.02)	(0.93)	(0.47)	0.55
Earnings (loss) per share – diluted	(0.02)	(0.93)	(0.47)	0.52
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
Net investment gains (losses)	\$ 156,422	\$ 54,389	\$ (18,102)	\$ 98,498
Net income (loss) for the period	97,707	37,391	(18,324)	66,353
Earnings (loss) per share – basic	1.14	0.44	(0.22)	1.07
Earnings (loss) per share – diluted	1.07	0.41	(0.22)	1.00

Three Months Ended December 31, 2007 and 2006:

For the three months ended December 31, 2007, the Company generated a realized net gain on disposal of investments of \$20,305 as compared to a realized net gain on disposal of investments of \$40,330 for the same period in 2006. During the quarter, \$19,951 of the realized net gains were attributable to the sale of marketable securities and \$354 from the disposal of long-term investments. In the same period last year, \$37,789 of the realized net gains were attributable to the disposal of marketable securities with the balance of the gain of \$2,541 attributable to the disposal of long-term investments.

The Company had net unrealized losses on investments of \$13,915 for the three months ended December 31, 2007 as compared to net unrealized gains on investments of \$103,288 for the same period in 2006. Of the unrealized net losses for the three months ended December 31, 2007, \$16,327 was due to the reversal of previously recognized unrealized net losses on the disposal of investments and \$30,242 arose from the write-down to market on the Company's investments. Of the unrealized net gains in Q4 of 2006, \$129,804 was from the write-up to market on the Company's investments offset by \$26,516 from the reversal of previously recognized unrealized net gains on the disposal of investments.

During the current quarter, the Company reallocated \$7,925 (2006 - \$128) in dividend income to income from equity accounted investments. Without the reallocation, other revenue totalled \$2,262 in the three months ended December 31, 2007 compared to \$289 for the same period last year. Other revenue included \$2,113 (three months ended December 31, 2006 - \$37) of interest and dividend income earned from certain of the Company's investments, \$2,053 of which was dividend income received from one of the Company's investees, East Asia Minerals Inc. Other revenue was also comprised of \$149 (three months ended December 31, 2006 - \$252) in consulting fees and rental income. In the prior period, the Company earned rental income which was not repeated in the current year.

Operating, general and administrative expenses in the three months ended December 31, 2007 decreased to \$3,850 from \$5,218 in the three months ended December 31, 2006. The decrease of \$1,368 in the current period resulted primarily from an annual bonus accrual (including GST) of \$2,262 as compared to \$4,456 in the same period in 2006 to the Company's Chairman and Chief Executive Officer ("CEO"). The annual bonus payable is equal to 10% of the realized pre-tax profit on the Company's non-limited market dealer business plus a bonus equal to 10% of the limited market dealer's business' net realized profit. See "Related Party Transactions" for further discussion of this. The Company also paid other bonuses of \$334 to related parties during the current quarter. Excluding the bonuses, operating, general and administrative expenses during the three months ended December 31, 2007 increased by 64.6% to \$1,254 from \$762, as described further below.

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

	Three Months Ended December 31,	
	<u>2007</u>	<u>2006</u>
Consulting bonuses (a)	\$ 2,596	\$ 4,456
Consulting fees and salaries expense (b)	510	254
Professional fees (c)	219	250
Shareholder relations, transfer agent and filing fees (d)	102	26
Travel, meals, and entertainment (e)	73	89
Rent and insurance expenses (f)	127	68
Office and general (g)	223	75
	\$ 3,850	\$ 5,218

- (a) Annual bonus to the Company's Chairman and CEO (as described above) and bonuses to other officers of the Company. The decrease in the annual bonus was due to the decrease in realized net income in the quarter as compared to the same period last year.
- (b) Consulting fees and salaries expense increased by \$256 during the quarter. The increase was primarily due to the addition of new staff and additional consulting agreements with senior management of the Company during the year.
- (c) Professional fees decreased by \$31 due to lower audit fee accrual in Q4 of 2007 since the Company accrued a higher amount during the previous quarters in the current year.
- (d) Shareholder relations, transfer agent and filing fees increased by \$76 during the quarter. The increase is primarily due to an increase in media corporate profiling, public relations training, marketing and regulatory filing fees.
- (e) Travel, meals, and entertainment decreased by \$16 in the quarter.
- (f) Rent and insurance expenses increased by \$59 due to the Company's move into a larger office space.
- (g) Office and general expenses increased by \$148. The increase arose from \$75 in bad debts from a promissory note to an investee company which the Company wrote off in

the current quarter and an overall increase in the Company's expenses due to increased business activity.

Stock-based compensation expense increased to \$2,938 from \$253 in the three months ended December 31, 2006. The increase in the current quarter was a result of stock options granted during the current year. Stock options granted during the current year and prior year vest at three-month intervals over 18 months and are accounted for in accordance with the fair value method of accounting for stock-based compensation, thus giving rise to an increased stock-based compensation expense. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model, and expensed over the vesting periods.

During the three months ended December 31, 2007, the Company experienced an unrealized foreign exchange loss of \$34 on its foreign denominated net assets as compared to an unrealized foreign exchange loss of \$1,563 during the same period in 2006. The net loss in the current period primarily arose due to the increase in the value during the quarter of the Canadian dollar versus the U.S. and Australian dollars, which decreased the Canadian dollar value of U.S. dollar amounts held at brokers, resulting in a foreign exchange loss.

Interest expense decreased to \$869 in the three months ended December 31, 2007 as compared to \$1,570 in the same period last year. Interest expense decreased due to decreased use of margin for purchases of investments and a decrease in interest rates. The Company completed a private placement during the current quarter with gross proceeds of \$72,187 which reduced the margin used when compared to the same period last year.

The Company recorded a recovery of income taxes in the three months ended December 31, 2007 of \$25 as compared to a provision for income taxes of \$48,977 in Q4 of 2006. The recovery of income taxes in the current period was primarily due unrealized losses which decreased the future tax liability arising from a decrease in the excess of fair value over tax cost on long-term assets and marketable securities held at the end of the period. In Q4 of 2006, the provision for income taxes was primarily due to the unrealized gains which increased the future tax liability arising from an increase in the excess of fair value over tax cost on long-term assets and marketable securities held at the end of the period.

Net loss for the three months ended December 31, 2007 was \$2,214 (\$0.02 per share) versus net income for the three months ended December 31, 2006 of \$97,707 (\$1.14 per share). The net loss in the current period was primarily due to the write down to fair value of the Company's investments.

Years Ended December 31, 2007 and 2006:

For the year ended December 31, 2007, the Company generated a realized net gain on disposal of investments of \$190,838, an increase of 102.5% as compared to a realized net gain on disposal of investments of \$94,251 in 2006. During the year, \$180,663 of the realized net gains were attributable to the sale of marketable securities as compared to \$78,919 for the same period last year. The balance of \$10,175 (2006 - \$15,332) was realized on the disposal of long-term investments.

The Company had net unrealized losses on investments of \$288,369 for the year ended December 31, 2007 as compared to net unrealized gains on investments of \$184,152 last year. The unrealized losses in 2007 were primarily from the reversal of the previously recognized unrealized gains at December 31, 2006. Of the unrealized net losses of \$288,369 in 2007, \$183,167 was due to the reversal of prior year's unrealized net gains on the disposal of investments while the net write down to fair value on the Company's investments was \$105,202. Of the unrealized net gains in 2006, \$257,898 was due to the write-up to market on the Company's investments offset by \$73,746 from the reversal of previously recognized unrealized net gains on the disposal of investments.

During the year, the Company also had income from equity accounted investment \$5,548 (2006 - \$12,932) from equity accounted investments during the quarter.

The Company had a net investment loss in the current year of \$91,983 compared to net investment gain of \$291,335 in the year ended December 31, 2006.

Other revenue totalled \$2,856 in the year ended December 31, 2007 compared to \$3,346 for last year. Other revenue includes \$2,262 (2006 - \$121) of interest and dividend income distributed from certain of the Company's investments, including \$2,053 dividend income received from East Asia Minerals Inc. Other revenue also includes \$594 (2006 - \$3,225) from consulting fees and rental income. In the prior period, the Company earned certain consulting fees which were not repeated in the current year.

Operating, general and administrative expenses in the year ended December 31, 2007 increased to \$27,259 from \$14,219 in the year ended December 31, 2006. The increase in the current year resulted primarily from an annual bonus accrual (including GST) of \$21,306 as compared to \$11,203 last year to the CEO. The annual bonus payable to the CEO is equal to 10% of the realized pre-tax profit on the Company's non-limited market dealer business plus a bonus equal to 10% of the limited market dealer's business' net realized profit. See "Related Party Transactions" for further discussion of this. The Company also paid bonuses of \$965 (2006 - \$302) to related parties. Excluding the bonuses, operating, general and administrative expenses in the year ended December 31, 2007 increased by \$2,274 (83.8%) from \$2,714 to \$4,988. The increase is primarily due to increases in general corporate expenses such as salaries and consulting fees related to additional staff, professional fees, filing fees, office premises rental, and travel costs commensurate with the increase in the Company's activities, as described further below.

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

	Year ended December 31,	
	2007	2006
Consulting bonuses (a)	\$ 22,271	\$ 11,505
Consulting fees and salaries expense (b)	1,810	795
Professional fees (c)	784	511
Shareholder relations, transfer agent and filing fees (d)	567	203
Travel, meals, and entertainment (e)	409	285
Rent and insurance expenses (f)	493	330
Office and general (g)	925	590
	<u>\$ 27,259</u>	<u>\$ 14,219</u>

- (a) Annual bonus to the CEO as discussed above. The Company also paid bonuses (including GST) of \$965 to certain other officers of the Company as compared to \$302 last year. The annual bonus to the Chairman and CEO increased due the increase in net realized income during the year.
- (b) Consulting fees and salaries expense increased by \$1,015. The increase was primarily due to the addition of new staff and consulting agreements with senior management of the Company. See corporate events completed during the year ended December 31, 2007 under "Overall Performance and Significant Events".
- (c) Professional fees increased \$273 due to higher audit fee accruals, tax advice, and an increase in legal fees for general corporate purposes.
- (d) Shareholder relations, transfer agent and filing fees increased by \$364 during the year. The increase is primarily due to an increase in filing fees for media corporate profiling, public relations training, marketing and an increase in regulatory filing fees in respect of, among other things, the NCIB and the establishment of the Company's new stock option plan.
- (e) Travel, meals, and entertainment increased by \$124 due to an overall increase in corporate activities and marketing.
- (f) Rent and insurance expenses increased by \$163 due to the Company's move into a larger office space.
- (g) Office and general expenses increased by \$335. The increase was from an overall increase in the Company's activities and the Company's write-off of \$75 in bad debts due from an investee.

Transaction costs increased 278.7% to \$5,374 from \$1,419, due to an increase in stock trading transactions. Transaction costs arise from the purchases and dispositions of investments through brokers, the costs which are expensed immediately in accordance with the Company's accounting policy for investments.

Stock-based compensation expense increased to \$6,141 from \$5,355 in the year ended December 31, 2006. The increase in the current year was primarily a result of stock options granted during the year and last year which 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. In the current year, the Company had stock-based compensation expense relating to options which were granted last year but vested in the current year, thus giving rise to an increase in stock-based compensation expense. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model, and expensed over the vesting period.

During the year ended December 31, 2007, the Company experienced an unrealized foreign exchange gain of \$776 on its foreign denominated net liabilities as compared to an unrealized foreign exchange loss of \$813 last year. The net gain primarily arose due to the increase in the value of the Canadian dollar versus the U.S. dollar and Australian dollar, which reduced the Canadian dollar value of the foreign dollar amounts due to brokers, resulting in a foreign exchange gain.

Interest expense increased by 81.6% to \$6,753 in the year ended December 31, 2007 as compared to \$3,718 last year. Interest expense increased due to increased use of margin for purchases of investments as compared to last year and from interest on the Company's promissory note held by and advances to Brownstone Ventures Inc. ("Brownstone") and from interest paid on promissory notes to other related parties (see Related Party Transactions section).

The Company recorded a recovery of income taxes in the year ended December 31, 2007 of \$42,368 as compared to a provision for income taxes of \$86,023 in 2006. The decrease in the provision for income taxes in the current year is primarily a result of the decrease in the future tax liability arising from a decrease in the excess of fair value over tax cost on long-term assets and marketable securities held at the end of the period.

Net loss for the year ended December 31, 2007 was \$91,605 (\$0.94 per basic share) as compared to net income for the year ended December 31, 2006 of \$183,127 (\$2.31 per basic share). As previously discussed in this MD&A, for the year ended December 31, 2007, the reversal of prior years' unrealized gains on the disposal of investments totalling \$183,167 and the write-down to fair value of the Company's investments of \$107,579 were the major contributors to the decline in net income for the year ended December 31, 2007.

Cash Flows: Three Months Ended December 31, 2007 and 2006

Net cash used in operating activities was \$20,331 in the three months ended December 31, 2007, compared to net cash used in operating activities of \$8,917 in the same period last year, an increase of \$11,414. During the quarter, the Company paid income tax instalments of \$10,300.

During the three months ended December 31, 2007, the Company generated cash from financing activities of \$90,249 as compared to using cash from financing activities of \$12,813 in

the same period of 2006. During the current period, cash generated from financing activities was primarily from net proceeds of \$68,179 from a private placement financing and \$19,399 from an increase in due to brokers. During the same period last year, the cash used was primarily to repay \$15,018 due to brokers.

Net cash used in investing activities was \$69,892 in the three months ended December 31, 2007 as compared to cash generated of \$21,768 in the same period last year. During the current period, the Company had proceeds from its disposition of investments of \$86,389, an increase of \$6,200, when compared to \$80,189 of dispositions in the same period last year. The Company purchased \$156,414 of investments, an increase of \$97,675 as compared to \$58,739 of investment purchases in the three months ended December 31, 2006.

For the three months ended December 31, 2007, the Company had a net increase in cash and cash equivalents of \$26 as compared to a net increase of \$38 during the three months ended December 31, 2006, leaving a cash and cash equivalents balance of \$66 as compared to a cash and cash equivalents balance of \$175 as at December 31, 2006.

Cash Flows:
Years Ended December 31, 2007 and 2006

Net cash used in operating activities was \$60,436 in the year ended December 31, 2007, compared to net cash used in operating activities of \$13,866 last year, an increase of \$46,570. The increase in cash used in operating activities in the current year is primarily due to income tax payments of \$28,503 and approximately \$13,040 in increased operating expenses versus the prior year.

During the year ended December 31, 2007, the Company generated cash from financing activities of \$211,933 as compared to \$88,473 in 2006. During the current year, the Company received net proceeds of \$182,546 from two brokered private placement financings and received \$8,404 from the exercise of stock options and warrants. The Company also received advances of \$10,550 from an affiliated company, PowerOne, and repaid \$19,271 of promissory notes. During last year, the Company received net proceeds of \$64,025 from two private placement financings, \$7,028 from the exercise of stock options and warrants and repaid a \$1,976 loan from an officer and \$937 in advances from affiliated companies. During 2007, the Company used an additional \$29,030 of broker's margin as compared to an increase of \$20,333 in the previous year. The Company uses amounts from brokers primarily to purchase investments.

Net cash used in investing activities was \$151,606 in the year ended December 31, 2007 as compared to cash used of \$72,114 last year. During the current year, the Company purchased \$891,395 of investments, an increase of \$619,014 as compared to \$272,381 in the year ended December 31, 2006. The Company had proceeds from disposition of investments of \$740,195, an increase of \$536,975, when compared to \$203,220 of dispositions last year. This all reflects the Company's significantly increased investing activities.

For the year ended December 31, 2007, the Company had a net decrease in cash and cash equivalents of \$109 as compared to a net increase in cash and cash equivalents of \$2,493

during the year ended December 31, 2006, leaving a cash and cash equivalents balance of \$66 as compared to a cash and cash equivalents balance of \$175 as at December 31, 2006.

Liquidity and Capital Resources:

Consolidated Balance Sheet Highlights	December 31, 2007	December 31, 2006
Investments, at fair value	\$ 592,039	\$ 530,445
Equity accounted investment	19,555	21,932
Total assets	620,179	553,828
Total liabilities	143,252	185,998
Share capital, warrants and broker warrants and contributed surplus	304,452	103,750
Retained earnings	172,475	264,080
Net asset value per share – Basic	\$ 4.20	\$ 4.24
Net asset value per share – Diluted	\$ 3.61	\$ 3.97

Equity accounted investment and the fair value of the Company's portfolio increased to \$611,594 from \$552,377 as at December 31, 2006, an increase of 10.7%. The net asset value per share (basic) decreased 1.0% to \$4.20 per share from \$4.24 per share as at December 31, 2006. (See "Use of Non-GAAP Measures" elsewhere in this MD&A.)

The Company's publicly-traded investments trade on public stock exchanges in Canada, the United States, Australia, London, and Hong Kong offering potential liquidity and cash flow. During the year ended December 31, 2007, the Company disposed of investments for proceeds of \$740,195, and purchased investments of \$891,395, as noted in the Cash Flows section above. The excess of purchases over dispositions was primarily financed by cash generated from financing activities (\$182,546).

Robust market conditions have provided liquidity for most of our marketable securities. A significant and/or sustained downturn in the markets could result in a reduction of available capital for the Company since much of our short-term ongoing financing comes from broker margin. However, our due to brokers is only 14.2% of the fair value of our investments as at December 31, 2007; therefore, we believe we would be able to meet our commitments even in a significant market downturn.

Liabilities:

- (a) As at December 31, 2007, the Company had accrued future tax liabilities of \$33,435 as compared to \$87,122 as at December 31, 2006. The future tax liability is primarily attributable to applying the expected tax rate for future periods (33.5% to 29%) to the excess of fair value over tax cost on long-term assets and marketable securities held at December 31, 2007. This amount was less at December 31, 2007 than the excess of fair value over tax cost as at December 31, 2006 which resulted in the decreased accrued future tax liability. The Company has also accrued income taxes payable of \$737 as compared to \$14,095 as at December 31, 2006. In addition, the Company has recorded an income tax receivable of \$7,442 (2006 – nil) for tax instalments made during the year

which can not be offset with income taxes payable since they were made in different subsidiaries and different tax jurisdictions.

- (b) The Company has an operating line of credit with Royal Bank of Canada ("RBC") for \$1,000, collateralized by the Company's assets, and on December 27, 2007, the operating line of credit was increased to \$6,000 (reducing to \$1,000 on March 1, 2008). The additional \$5,000 is collateralized by a cash guarantee from the CEO. As at December 31, 2007, the Company had utilized \$674 of the line of credit. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand.
- (c) As at December 31, 2007, the Company had used net margin of \$86,601 due to brokers. Due to brokers consists of margin borrowings collateralized by the Company's investments held at the broker. In the normal course of business, the Company utilizes the margin borrowings to finance its investment activities. Interest is charged on the daily outstanding balance at a tiered rate which fluctuates between the broker's overnight rate plus a percentage ranging from 0.15% to 1.25%, depending on the amount of margin used. Pinetree does not hedge against any interest rate risks.
- (d) As at December 31, 2007, the Company had advances from PowerOne of \$10,628 (December 31, 2006 - \$78). The Company owns a 50% interest in PowerOne, an Ontario limited market dealer. These advances bear no interest, are unsecured and are due on demand.

Commitments:

As at December 31, 2007, the Company had material commitments for cash resources of \$109,817 which were comprised of: \$86,601 due to brokers; \$674 bank indebtedness; \$11,177 accounts payable and accrued liabilities; \$10,628 due to affiliated company, all of which are due on demand; the Company also has accrued income taxes payable of \$737. The disposition of the Company's investments would be sufficient to pay these material commitments. A schedule of liabilities and obligations is as follows as at December 31, 2007:

Liabilities and Obligations	Payments Due by Period				
	Total	Less than 1 year	1 – 3 year	4 – 5 years	After 5 years
Due to brokers	\$ 86,601	\$ 86,601	\$ -	\$ -	\$ -
Bank indebtedness	674	674	-	-	-
Accounts payable and accrued liabilities	11,177	11,177	-	-	-
Due to affiliated company	10,628	10,628	-	-	-
Income taxes payable	737	737	-	-	-
Lease commitments	3,990	649	1,979	1,362	-
	\$ 113,807	\$ 110,466	\$ 1,979	\$ 1,362	\$ -

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 \$83 per month that automatically renew annually.

On November 28, 2005, the Ontario Ministry of Finance ("OMF") issued notices of reassessment to the Company's wholly-owned subsidiary, Genevest, as a result of an audit of income tax returns filed by Genevest for the 2000 and 2001 taxation years. OMF, among other things, disputed Genevest's revenue recognition methodology on the disposal of certain investments. As at December 31, 2007, Genevest had an amount owing of approximately \$190 relating to this re-assessment which has been fully paid subsequent to December 31, 2007.

Genevest has filed notices of objection within the statutory time frame. The final outcome of the notices of objection is not presently determinable. However, Genevest and its legal and tax advisors believe the Company will prevail in this matter. Accordingly, the Company has not accrued any provision relating to the income tax potentially owing on the reassessments.

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 year ended December 31:

Type of service	Nature of relationship	2007	2006
Consulting fees (a)	Director, shareholders, and officers	\$ 803	\$ 456
Consulting bonuses (b)	Director, shareholders, and officers	22,271	11,505
Director fees	Directors	32	38
Interest expense (c)	Affiliated companies and CEO	1,140	643
Dividend income (d)	Affiliated company	7,925	128
Other income (e)	Affiliated companies	594	2,207

- (a) Consulting agreements are with the Company's CEO, Chief Financial Officer, Vice President Investments, and Vice President Legal & Corporate Affairs. The costs relating to these agreements are included in operating, general and administrative expenses.
- (b) Pursuant to the CEO's consulting agreement with the Company, he is entitled to receive an annual bonus equal to 10% of the realized pre-tax profit on the Company's non-limited market dealer business plus a bonus equal to 10% of any of the limited market dealer's business' net realized profit. Included in operating, general and administrative expenses (including GST) is \$21,306 (2006 - \$11,203) relating to this bonus. During the year ended December 31, 2007, the Company also paid bonuses of \$965 (2006 - \$302) to officers of the Company.
- (c) During the year ended December 31, 2007, the Company had a loan payable, by way of a promissory note of \$76,938 to the CEO. The promissory note was secured, due on demand and bore interest at a rate of 7%. The promissory note was repaid during the year and included in interest expense is \$430 related to this promissory note.

Subsequent to December 31, 2007, the Company had a promissory note of \$37,000 owing to the CEO. The promissory note is secured, due on demand and bore interest at a rate of RBC prime rate plus 1%.

As at December 31, 2006, the Company had a promissory note of \$19,271 outstanding and held by Brownstone. The Company has an investment in Brownstone which is a company with a common director and common officers of the Company and a reporting issuer trading on the TSX Venture Exchange under the symbol "BWN". The promissory note was for the purchase of 5,000,000 shares of Mega Uranium Ltd. ("Mega") at a total cost of \$21,250. The Company paid \$2,125 in cash and issued to Brownstone a promissory note for \$19,125, bearing interest at a rate of 9% per annum. During the year ended December 31, 2007, the Company repaid the promissory note in full. The Company also had advances totaling \$23,518 from Brownstone during the year ended December 31, 2007, which were also repaid during the current year. The advances were secured and bore interest at a rate of 7% per annum. Included in the consolidated statements of operations is \$464 of interest expense charged by Brownstone relating to the promissory note and advances during the current year.

During the year ended December 31, 2007, the Company had a loan payable to PowerOne of \$5,100 evidenced by way of a promissory note bearing interest at a rate of 9% per annum. The promissory note was repaid during the year and included in the consolidated statements of operations is \$76 of interest expense. See also paragraph (d) under "Liabilities".

From July 3, 2007 to July 24, 2007, the Company received advances totalling \$32,674 from Mega which were repaid in full on August 8, 2007. The Company has an investment in Mega which is a company with a common director and common officers of the Company and a reporting issuer trading on the TSX under the symbol "MGA". The advances were secured and bore interest at a rate of 7% per annum. Included in the consolidated statements of operations is \$170 of interest expense charged by Mega relating to these advances during the year.

- (d) During the year ended December 31, 2007, the Company received dividend income of \$7,925 (2006 - \$128) from PowerOne. Subsequent to December 31, 2007, PowerOne distributed a cash dividend of \$10,628 to the Company.

As at December 31, 2007, the Company had advances from PowerOne of \$10,628. These unsecured advances bear no interest and are due on demand. Subsequent to December 31, 2007, the Company repaid in full the advances from PowerOne of \$10,628 as at December 31, 2007.

- (e) Other income relates to consulting, sublease, and services agreements of approximately \$594 (2006 - \$2,207) from companies in which Pinetree has an investment interest. The Company has a cost sharing arrangement with certain of its affiliated companies covering specific operating, general and administrative expenses, including lease commitments and salaries.

- (f) Included in prepaids and other receivables as at December 31, 2007 is \$40 (2006 - \$238) owing from related parties.
- (g) Included in accounts payable and accrued liabilities as at December 31, 2007 is \$10,007 (2006 - \$6,609) owing to related parties of which \$9,991 (2006 - \$6,588) relates to the annual bonus to the Chairman and CEO.
- (h) During the year ended December 31, 2007, the Company granted 3,575,000 options to officers and directors of the Company, exercisable at prices of between \$5.45 and \$13.02 per share and expiring between February 4, 2012 and September 16, 2012.

Disclosure Controls and Procedures:

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by Pinetree is recorded, processed, summarized and reported within the time periods required under Canadian securities laws and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the CEO and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management evaluated, under the supervision of and with the participation of the CEO and Chief Financial Officer, the effectiveness of Pinetree's disclosure controls and procedures (as defined under Multilateral Instrument 52-109 of the Canadian securities regulatory authorities). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2007.

Internal Controls Over Financial Reporting:

There were no changes in the Company's internal controls over financial reporting that occurred during the three months ended December 31, 2007, that have materially effected, or are reasonably likely to materially effect, the Company's internal control over financial reporting.

Risk Factors:

Pinetree's financial condition, results of operations and business are subject to certain risks which may negatively effect the Company. Certain of these risks are described below. Additional risks not currently known to us, or that we currently believe to be immaterial, may also effect and negatively impact our business.

Portfolio Exposure:

Given the nature of the Company's activities, the results of operations and financial condition are dependant upon the market value of the securities that comprise the Company's portfolio. Market value can be reflective of the actual or anticipated operating results of our portfolio

companies and/or the general market conditions that effect the sectors in which Pinetree invests. The Company's investment activities are currently concentrated primarily in the natural resource industry, with a current focus on the uranium, oil and gas, base metals and precious metals sectors. There are various factors that could effect 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). Macro factors such as fluctuations in commodity prices and global political and economic conditions could have an adverse effect on one or more sectors to which the Company is exposed, 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 effect 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 the Company's financing activities and proceeds from the disposition of the Company's investments, in addition to interest and dividend income earned on the Company's investments. The availability of these sources of income and the amounts generated from these sources are dependant upon various factors, many of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely effected if access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to Pinetree, or if the value of the Company's investments decline, resulting in 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 effect the market price of the Company's investments.

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, industry or sector. The Company may participate in a limited number of investments and, as a consequence, the Company's financial results may be substantially adversely effected by the unfavourable performance of a single investment, or sector. Completion of one or more investments may result in a highly concentrated investment by Pinetree in a particular company, business, industry 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 has portfolio investments. The Company has received requests for information and is co-operating with the Ontario Securities Commission in their investigations. While the Company and its CEO believe that it and he have acted appropriately, the Company is unable to determine the impact, if any, that these investigations may have on the Company, or on the financial position, or how or when the investigations will be concluded.

Additional Financing Requirements:

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

Management of our Growth:

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

Exchange Rate Fluctuations:

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

Off-Balance Sheet Arrangements:

There are no such existing arrangements.

Outstanding Share Data:

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

Subsequent to December 31, 2007, 200,000 stock options were exercised at prices between \$0.53 and \$1.75 per share for total proceeds of \$228.

As at March 13, 2008, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Pinetree are as follows:

Common shares	Number
Outstanding	113,832,032
Issuable under options	5,164,364
Issuable under warrants	11,875,000
Issuable under broker warrants	1,306,250
Total diluted common shares	132,177,646

Refer to note 12 of the Notes to the audited consolidated financial statements as at and for the years ended December 31, 2007 and 2006 for details of the Company's share capital as at December 31, 2007 and 2006.

Normal Course Issuer Bid:

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

Pinetree did not purchase any common shares of the Company during the 12-month period prior to commencement of the NCIB or during the 2007 fiscal year.

Segmented information:

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

Future Accounting Changes:

(a) Capital disclosures:

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This new standard will be effective on January 1, 2008 for the Company. The Company is currently evaluating the effect of adopting this standard.

(b) Financial instruments:

The CICA issued two new accounting standards, Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation, which apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company intends to adopt these new standards effective January 1, 2008. The Company is currently evaluating the effect of adopting these standards.

Section 3862 requires disclosure of information related to the significance of financial instruments to a Company's financial position and performance. A company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed.

Section 3863 establishes standards for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial assets and financial liabilities are offset.

Additional Information:

Additional information relating to Pinetree Capital Ltd. may be found on the Company's website at www.pinetreecapital.com or on SEDAR at www.sedar.com.