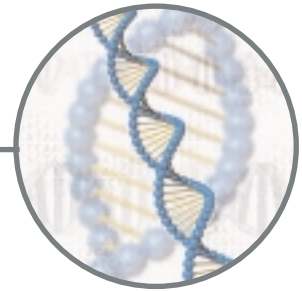




PINETREE™

ANNUAL
REPORT
2001



Venture to Grow.™

Company Profile

Pinetree Capital Corp. is a publicly traded venture capital firm which strategically invests in early stage technology companies. Pinetree's investment targets have solid proprietary technology in Application and Platform Software, Telecommunications and Fibre Optics, and Biomedical Technology, as well as other emerging technology areas.

Pinetree takes leadership positions in the companies in which it invests, and provides them with financial and personnel resources, as well as strategic counsel, in order to help the companies mature into successful commercial enterprises.

The businesses in which Pinetree invests are, by their nature, at the leading edge of technological innovation in their respective fields. It is Pinetree's proven ability to identify and help grow these budding technologies that creates increasing value for Pinetree's shareholders.

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Letter To Shareholders

April 18, 2002

To Our Shareholders:

Fiscal 2001 continued to see a significant decline in stock market values, which was, of course, made worse by the tragic events of September 11, 2001. However, stock market bottoms were reached near the end of September 2001, and have begun to move strongly upward. Since many of our investments have matured and have become public companies, the underlying value of our investments fell along with the markets in general, and are expected to increase as the markets continue to strengthen.

In spite of the value decline, our investee companies are well financed and managed, and we are looking forward to continued growth in these businesses.

We made a very important change in our method of accounting and financial reporting that we believe will have significant benefits for our shareholders. Effective with our 2001 fiscal year, we changed to the Fair Value method of accounting. In the past, marketable securities were recorded at the lower of cost and market (that is, if the value of an investment fell, we recorded the fall, but if it increased, we did not show the increase). As well, for any investments in which we held more than a 20% interest, we recorded our percentage of their earnings (losses), less dividends received since the date of acquisition, in our Consolidated Income Statement. Since most of our investments are in early-stage

companies, some of those losses were significant, which distorted Pinetree's true results. Other long-term investments were carried at cost and were written down to their market value where other than a temporary decline in market value had occurred. The result was that it was very difficult for our shareholders to

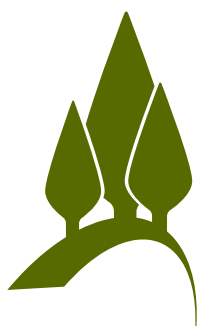
understand the true value of our investments at a point in time, and it was equally difficult to determine how Pinetree performed as an investment company.

The Fair Value method is quite simple and results in a very clear picture of Pinetree. Our Consolidated Balance Sheet reflects the actual value of our investments at the Balance Sheet date.

Investments with quoted market prices are shown at their market prices, discounted appropriately for any restrictions there may be on our ability to trade the shares. Investments in private companies are shown at our cost unless there has been an event that either permanently reduces or increases the value of the investment.

Our Consolidated Income Statement shows unrealized gains and losses that result from adjustments to the value of our investments as well as realized gains and losses that arise when we actually dispose of an investment.

We feel that our new accounting methodology will provide our shareholders and the investing public with the information they need to understand Pinetree's true value.



We have not changed our focus on early-stage investing in companies with unique intellectual property and we are confident that we will continue to build shareholder value into the future.

Pinetree Results and Events

The continuing decline in stock market values in 2001, together with our adoption of Fair Value accounting, combined to produce significant net investment losses for Pinetree during the year. However, the majority of the losses were unrealized, stemming from marking down our investments to their market value at December 31, 2001.

Net investment losses for the fiscal year were \$28,734,016, of which \$25,276,199 were unrealized losses.

The market value of Pinetree's investment portfolio was valued at \$23,803,024 at December 31, 2001 versus \$52,665,431 at December 31, 2000. The cost of the portfolio was \$17,563,000 at December 31, 2001 as compared to \$23,537,000 as at December 31, 2000.

In September 2001, Pinetree became listed on the Toronto Stock Exchange, Canada's senior stock market. We are very proud to have qualified for listing on the TSE, and expect it to have ongoing benefits to our shareholders.

Also in 2001 we strengthened our board of directors by appointing Harvey Tepner, a New York City investment banker to the board.

Application and Platform Software Technology Sector

We did not make any new investments in this sector in 2001, but two of our existing investments had significant activities during 2001 and into 2002:

In 1999, Pinetree was the lead investor in the first financing round of SoftQuad Software, Ltd. after a management-led buyout of the company. Working closely with SoftQuad's management team, we helped to re-engineer SoftQuad as a platform technology developer in the XML space, which is a key underlying technology for data movement across the Internet. In March 2000, SoftQuad began to publicly trade on the NASDAQ BB

through a reverse takeover. In August of 2001, SoftQuad signed a definitive agreement with Corel Corporation of Ottawa to be acquired by Corel in an all stock transaction. The transaction closed on March 15, 2002. On that date, Pinetree received 1,334,462 shares of Corel in exchange for its shares of SoftQuad. As of the date of this letter, Pinetree retains its holding in Corel which has a market value of approximately \$3,029,000.

Enghouse Systems Limited, a leader in Geographic Information Systems solutions for Telecommunications and Utility companies, and whose shares are traded on the Toronto Stock Exchange under the symbol "ESL", continued to show strong earnings growth. In its 2001 fiscal year ended October 31, 2001, Enghouse reported net income of \$8.1 million, an



increase of 22% over the previous year. At its year-end the company had over \$65 million in cash and was debt free, leaving the company in a strong position to add to its growth through acquisition. Pinetree's holdings in Enghouse have an approximate market value of \$6,930,000 at the time of writing of this letter.

The Telecommunications and Fibre Optics Sector

The telecommunications and fibre optics sectors have seen a significant downturn in the last 18 months. However, one of our investments made some major strides in 2001.

Just prior to the start of fiscal 2001, our investee company, NSI Global Inc., completed the acquisition of Vistar Telecommunications Inc., an Ottawa based leader in wireless data communications controlled by BCE Media Inc. The acquisition helped to propel NSI to record revenues of \$92 million in its 2001 fiscal year ended December 31, 2001, compared to \$30 million in the prior year. As well, NSI's shares began to trade on the Toronto Stock Exchange on October 4, 2001 under the symbol "NGL". As of the date of this letter, Pinetree's holding in NSI had an approximate market value of \$1,502,000.

The Biomedical Technology ("Biotech") Sector

Pinetree makes its biomedical technology investments through GeneVest Inc.

("GeneVest") in which Pinetree has an approximate 19% interest.

GeneVest's primary investment is in Visible Genetics Inc ("VGI"), a publicly traded company (NASDAQ:VGIN). VGI is a leader in the field of pharmacogenomics, the use of genetic profiling to allow physicians to prescribe targeted drug

therapy. VGI's technology is initially focused on the HIV virus, but is in the process of being expanded to include Hepatitis C. The past year was a very busy one for VGI.

The company added two new directors, raised an additional US\$22 million to fuel its growth and, most importantly, received final market clearance from the FDA to sell its genotyping system in the United States, making it the first company to be approved to do so.

Overall, fiscal 2001 was a difficult year for investors in technology. However, we believe that by staying focused on our core investment areas, by investing in unique intellectual property and solid people, and by having a long-term view on the businesses in which we invest, Pinetree will continue to grow and prosper.

We are grateful for the continued support of our shareholders as we continue to build the value of your holdings.

Sincerely,



Sheldon Inwentash
Chairman and Chief Executive Officer



Management's Discussion and Analysis

Nature of the Business

Pinetree Capital Corp. ["Pinetree" or the "Company"] was incorporated under the laws of the Province of Ontario and is publicly traded on the Toronto Stock Exchange under the symbol "PNP". Pinetree's principal business is to fund emerging growth businesses with breakthrough proprietary products. Pinetree's interests are in companies with information and internet infrastructure technologies, telecommunications and wireless technologies, and biomedical technologies.

Results of Operations

Prior to fiscal 2001, the Company accounted for its marketable securities using the lower of cost and market method. Equity investments, where the Company did not have control but was able to exercise significant influence over an investee, were carried at cost plus the Company's equity in undistributed earnings (losses), less dividends received, since the date of acquisition. Other long-term investments were carried at cost and were written-down to their market value where other than a temporary decline in market value had occurred.

Management felt that this method of accounting was not the most appropriate method for a company such as Pinetree, as it did not reflect the actual underlying value of the Company's investments in the balance sheet, and it included earnings or

losses of our investee companies in our consolidated income statement. As such, effective with our 2001 fiscal year, we adopted the Fair Value method of accounting, which allows the Company to present consolidated financial statements that are consistent with its operating activities, providing more useful

information to evaluate the Company's business. As part of the change in accounting policy for investments to Fair Value, unrealized gains and losses in the Fair Value of investments are now recorded as part of income for the year.

The change has been applied retroactively and the comparatives in the Company's consolidated financial statements and in this discussion are to fiscal year 2000 as restated to conform to the new basis of accounting.

For the year ended December 31, 2001, the Company generated realized net losses on disposal of investments of \$5,910,933 compared to net gains in 2000 of \$5,231,461. The losses in the current period were primarily from disposal of marketable securities purchased in earlier periods and from the write – off of approximately \$2.9 million of its investments. During the same period in 2000, the gains arose primarily from disposal of long-term investments.

We had reversals of previously recorded unrealized net losses of \$2,453,116 versus reversals of previously recorded unrealized



net gains of \$18,234,162 in the prior year. These reversals arise when investments are sold on which we recorded unrealized net gains or losses in prior periods.

In the year ended December 31, 2001, Pinetree recorded unrealized net losses on investments of \$25,276,199 versus unrealized net losses of \$678,566 in the prior year. This is due to the large run-up of stock prices in the first quarter of 2000 and the subsequent decline in those prices.

Interest and dividend income was \$212,712 in the year ended December 31, 2001 compared to \$228,215 in 2000 while other income increased by 20% over the prior year, from \$273,236 to \$328,121 this year. The increase in other income arose primarily from increased consulting fees the Company receives from its investee companies.

Operating, general and administrative expenses in the year fell slightly to \$2,122,001 in 2001 from \$2,129,967 in 2000.

Total expenses for 2001 was \$2,901,288 compared to \$1,838,758 in 2000. The increase was due in a large part to an unrealized foreign exchange loss on the Company's U.S. dollar denominated net assets of \$258,833 versus a foreign exchange gain on net assets of \$574,933 in 2000. Also, amortization expense for the year was \$72,637 versus \$15,657 for fiscal year 2000 and interest expense

was \$447,817 versus \$268,067 for 2000. The increased amortization was due to an increase in leasehold improvements which will be amortized over the six year term of the Company's head office space lease.

Net loss after taxes for the year was \$26,621,467 (\$2.81 per share) arising primarily from unrealized losses on investments as discussed previously. In the prior year, net loss was \$11,561,180 (\$1.23 per share) arising primarily from reversal of previously recognized unrealized gains on investments.

Investments

Last year we made two significant investments through our subsidiary, Pinetree (Barbados) Inc.: US\$1.4 million in Fiber Optics System Technology Inc. and US\$1.2 million in Primacy Corporation. Fiber Optics System Technology Inc. is engaged in the development of fibre optic sensing and communication systems. Primacy Corporation develops and sells software for use by international private banks and by other financial services organizations. Both companies are growing in line with our expectations for early-stage companies. During the year, Pinetree (Barbados) Inc. purchased an additional 530,373 common shares in Primacy Corporation for US\$50,997.

During fiscal year 2001, the Company made two new principal investments:

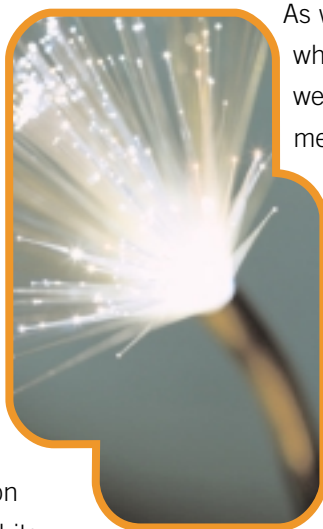
Pinetree invested \$500,000 to acquire a 10% stake in Catalyst Solutions Inc. (“Catalyst”) a company specializing in unified messaging and computer telephony integration technologies, as part of a \$1.5 million financing led by the National Bank in Quebec. Catalyst was unable to raise additional financing and has since ceased operations. At year end the Company wrote off its investment in Catalyst.

Our subsidiary, Pinetree (Barbados) Inc. made a US\$410,000 investment in Solomon Technologies, Inc. (“Solomon”) a company specializing in the development and commercialization of a revolutionary electric propulsion system. Solomon has patented its Electric Wheel™ Dual-input Infinite Speed Integral motor and Transmission Device which provide unprecedented benefits to all types of electric motors. Solomon’s technology, which was developed with the support of NASA, is currently being commercialized in the marine propulsion industry.

In August 2001, our investee SoftQuad Software, Ltd. (“SoftQuad”) signed a Definitive Agreement with Corel Corporation to be acquired by Corel in an all stock transaction. The sale closed on March 15, 2002 and Pinetree received 1,334,462 common shares of Corel Corporation in exchange for its holdings in SoftQuad.

Our change in accounting basis to the Fair Value method has its most significant impact on our presentation of our investment portfolio. Under the previous method, our Consolidated Balance Sheet showed investments at the lower of cost and market, which did not reflect increases in the value of our investment portfolio.

As well, our key investments, in which we owned more than 20%, were accounted for by the equity method. Under that method, we picked up our portion of our investees’ losses, and reduced the value of our investments by those amounts. Given that we invest in early stage business which inherently incur losses until they mature, this method did not enable us to properly reflect the value of our investment portfolio.



Liquidity and Capital Resources

The market value of Pinetree’s portfolio fell 54.8% to \$23,803,024 from \$52,665,431 at the end of fiscal 2000, primarily due to the drop in market value of our investments in Lumenon Innovative Lightwave Technology, NSI Global Inc, and SoftQuad Software, Ltd and also from the sale of some of our marketable securities and long-term investments. Cash and cash equivalents stood at \$91,187 on December 31, 2001 as compared to \$289,619 at the end of the previous fiscal year. Restricted cash decreased to \$350,000 from \$400,000. Net advances from affiliated

companies increased by \$4,444,566 from \$127,690 at December 31, 2000 to \$4,572,256 at December 31, 2001. The majority of these amounts are collateralized by a general security agreement on all present and future net assets of the Company. Amounts due to brokers fell by \$3,110,301 in fiscal year 2001 to \$1,463,233 from \$4,573,534 at December 31, 2000.

The Company continues to have no long-term debt; however, the Company made a lease commitment for its premises starting June 1, 2001 for annual payments of approximately \$243,000 (\$20,290 monthly) until May 31, 2007.

During the second quarter of 2001, the Company implemented an issuer buyback program running from April 10, 2001 to April 9, 2002. Purchase and payment for the common shares will be made by the Company in accordance with the Canadian Venture Exchange

requirements and, subsequent to September 10, 2001, Toronto Stock Exchange requirements. During the year ended December 31, 2001, the Company repurchased 133,800 common shares at prices ranging from \$0.54 to \$1.60 per share for a total cost of \$132,900.

During the year, the Company received \$20,250 pursuant to the exercise of warrants.

The Company now has a deficit of \$17,282 versus retained earnings of \$26,604,185 at the end of fiscal 2000.

Pinetree continues to use a global public and investor relations firm, GPC Canada Inc., to handle in-bound investor relations inquiries.



Consolidated Financial Statements

For the years December 31, 2001 and 2000

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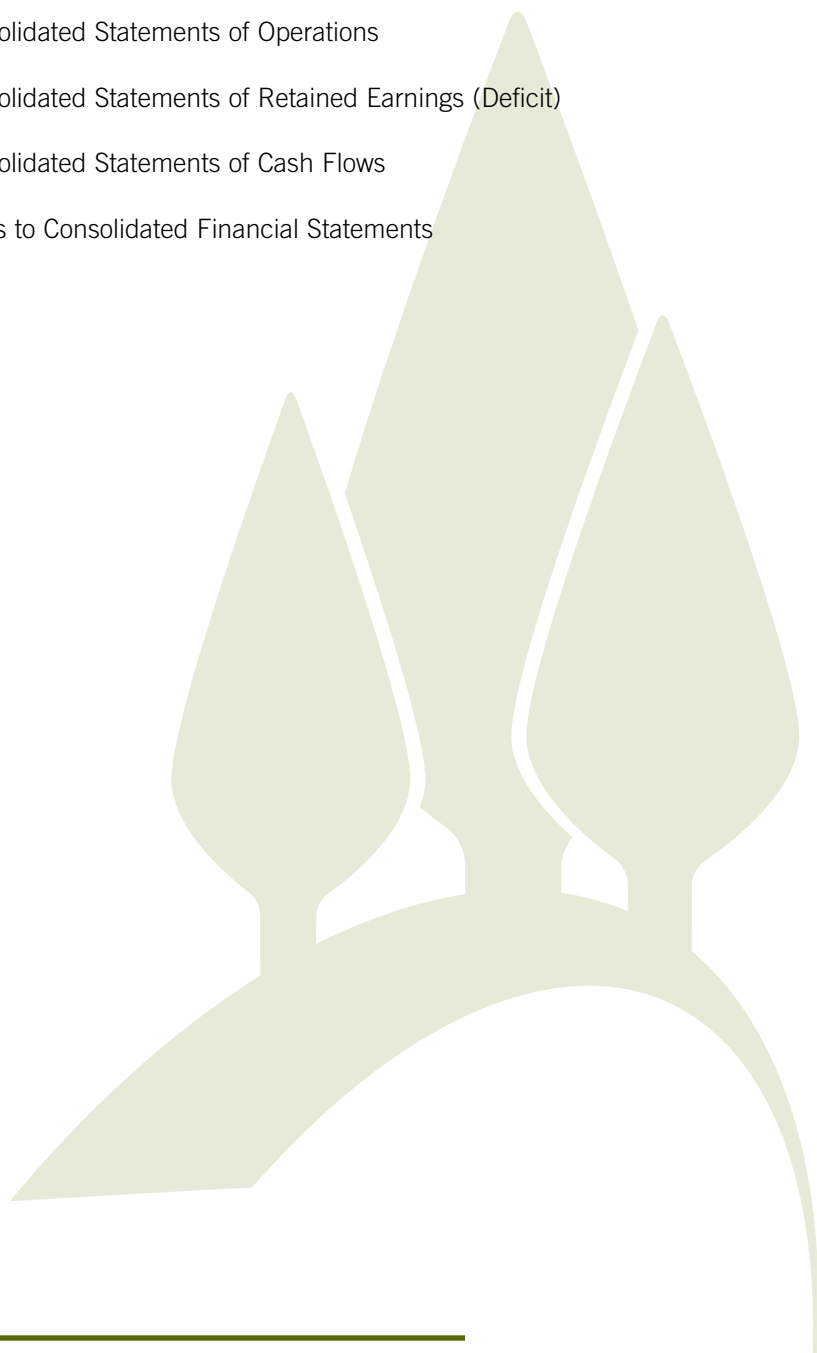
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Report of Management

The accompanying Consolidated Financial Statements of Pinetree Capital Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles.


Pinetree's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, Management is satisfied that these consolidated financial statements have been prepared accordingly and within reasonable limits of materiality. Further, Management is satisfied that the financial information throughout the balance of this Annual Report is consistent with the information presented in the Consolidated Financial Statements.

Ernst & Young, LLP, Chartered Accountants, have been appointed by the directors of Pinetree and serve as Pinetree's auditors. They have examined the Consolidated Financial Statements of the Company for the years ended December 31, 2001 and 2000.

Pinetree's Board of Directors met with Management and external auditors and have reviewed and approved the Consolidated Financial Statements of the Company which are contained in this Annual Report.



Sheldon Inwentash, C.A.
Chairman and Chief Executive Officer



Larry Goldberg, C.A.
Executive Vice President and
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of

Pinetree Capital Corp.

We have audited the consolidated balance sheets of Pinetree Capital Corp. as at December 31, 2001 and 2000 and the consolidated statements of operations, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 11, 2002

Ernst + Young LLP

Chartered Accountants

Consolidated Balance Sheets

As at December 31,

| | 2001 | 2000 |
|---|----------------------|------------------------|
| ASSETS (note 8(d)) | | (Restated, see note 3) |
| Current | | |
| Cash and cash equivalents | \$ 91,187 | \$ 289,619 |
| Restricted cash (note 4) | 350,000 | 400,000 |
| Advances to affiliated companies (note 8) | 1,384,537 | 1,004,900 |
| Prepaid and other receivables | 54,169 | 642,558 |
| Income taxes receivable | 106,032 | 368,362 |
| | <u>1,985,925</u> | <u>2,705,439</u> |
| Investments, at fair value (cost – \$17,563,000; 2000 – \$23,537,000) (note 5) | 23,803,024 | 52,665,431 |
| Capital assets, net (note 6) | 436,272 | 205,440 |
| Future tax assets (note 10) | — | 746,199 |
| | <u>\$ 26,225,221</u> | <u>\$ 56,322,509</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Due to brokers | \$ 1,463,233 | \$ 4,573,534 |
| Accounts payable and accrued liabilities | 283,290 | 149,660 |
| Advances from affiliated companies (note 8) | 5,956,793 | 1,132,590 |
| | <u>7,703,316</u> | <u>5,855,784</u> |
| Future tax liabilities (note 10) | — | 5,233,203 |
| | <u>7,703,316</u> | <u>11,088,987</u> |
| Shareholders' equity | | |
| Share capital (note 7) | 18,539,187 | 18,629,337 |
| Retained earnings (deficit) | (17,282) | 26,604,185 |
| | <u>18,521,905</u> | <u>45,233,522</u> |
| | <u>\$ 26,225,221</u> | <u>\$ 56,322,509</u> |

See accompanying notes to the consolidated financial statements

On behalf of the Board:



Director



Director

Consolidated Statements of Operations

Years ended December 31,

| | 2001 | 2000 |
|--|------------------------|------------------------|
| | | (Restated, see note 3) |
| Net Investment Losses | | |
| Gain (loss) on disposal of investments, net | \$ (5,910,933) | \$ 5,231,461 |
| Reversal of previously recognized unrealized losses (gains) on disposal of investments | 2,453,116 | (18,234,162) |
| Unrealized losses on investments, net | (25,276,199) | (678,566) |
| | <u>(28,734,016)</u> | <u>(13,681,267)</u> |
| Other Revenue | | |
| Interest and dividend income (note 9(b)) | 212,712 | 228,215 |
| Other income | 328,121 | 273,236 |
| | <u>(28,193,183)</u> | <u>(13,179,816)</u> |
| Expenses | | |
| Operating, general and administrative (note 9(a)) | 2,122,001 | 2,129,967 |
| Foreign exchange loss (gain) | 258,833 | (574,933) |
| Amortization | 72,637 | 15,657 |
| Interest (note 9(b)) | 447,817 | 268,067 |
| | <u>2,901,288</u> | <u>1,838,758</u> |
| Loss before income taxes | <u>(31,094,471)</u> | <u>(15,018,574)</u> |
| Recovery of income taxes (note 10) | (4,473,004) | (3,457,394) |
| Net loss for the year | <u>\$ (26,621,467)</u> | <u>\$ (11,561,180)</u> |
| Loss per common share | | |
| Basic and diluted | <u>\$ (2.81)</u> | <u>\$ (1.23)</u> |
| Weighted average number of common shares outstanding | | |
| Basic | 9,476,136 | 9,365,426 |
| Diluted | <u>9,495,467</u> | <u>10,329,910</u> |

See accompanying notes to the consolidated financial statements

Consolidated Statements of Retained Earnings (Deficit)

Years ended December 31,

| | 2001 | 2000 |
|---|---------------|------------------------|
| | | (Restated, see note 3) |
| Retained earnings (deficit), beginning of year, as previously reported | \$ 26,604,185 | \$ (367,306) |
| Change in accounting for investments <i>(note 3)</i> | — | 38,532,671 |
| Retained earnings, beginning of year, as restated | 26,604,185 | 38,165,365 |
| Net loss for the year | (26,621,467) | (11,561,180) |
| Retained earnings (deficit), end of year | \$ (17,282) | \$ 26,604,185 |

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

Years ended December 31,

| | 2001 | 2000 (Restated, see note 3) |
|---|--------------------|--------------------------------|
| Cash flows from operating activities | | |
| Net loss for the year | \$ (26,621,467) | \$ (11,561,180) |
| Items not affecting cash | | |
| Loss (gain) on disposal of investments | 5,910,933 | (5,231,461) |
| Reversal of previously recognized unrealized gains (losses), on disposal of investments | (2,453,116) | 18,234,162 |
| Unrealized losses on investments, net | 25,276,199 | 678,566 |
| Amortization | 72,637 | 15,657 |
| Future income taxes | (4,487,004) | (3,281,503) |
| | <u>(2,301,818)</u> | <u>(1,145,759)</u> |
| Changes in non-cash working capital balances related to operations | | |
| Advances to affiliated companies | (379,637) | 574,448 |
| Prepaid and other receivables | 588,389 | 54,042 |
| Due to brokers | (3,110,301) | 1,708,763 |
| Accounts payable and accrued liabilities | 133,630 | (442,623) |
| Advances from affiliated companies | 4,824,203 | 1,132,590 |
| Income taxes receivable | 262,330 | (546,322) |
| | <u>16,796</u> | <u>1,335,139</u> |
| Cash flows from financing activities | | |
| Purchase of shares under buyback plan <i>(note 7(b))</i> | (132,900) | — |
| Proceeds from partial repayment of promissory note | 22,500 | 22,500 |
| Proceeds from issue of share capital | 20,250 | 543,225 |
| | <u>(90,150)</u> | <u>565,725</u> |
| Cash flows from investing activities | | |
| Purchase of capital assets | (303,469) | (56,354) |
| Purchase of investments | (8,556,155) | (49,427,596) |
| Proceeds on disposal of investments | 8,684,546 | 46,377,936 |
| Restricted cash | 50,000 | (400,000) |
| | <u>(125,078)</u> | <u>(3,506,014)</u> |
| Net decrease in cash and cash equivalents during the year | (198,432) | (1,605,150) |
| Cash and cash equivalents, beginning of year | 289,619 | 1,894,769 |
| Cash and cash equivalents, end of year | \$ 91,187 | \$ 289,619 |
| Supplemental cash flow information | | |
| Income taxes paid | \$ 44,000 | \$ 378,657 |
| Interest paid | \$ 371,930 | \$ 268,067 |

See accompanying notes to the consolidated financial statements

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

1. Nature of business:

Pinetree Capital Corp. ["Pinetree" or the "Company"] was incorporated under the laws of the Province of Ontario and is publicly traded on the Toronto Stock Exchange ["TSE"] under the symbol "PNP". Pinetree's principal business is to fund emerging growth businesses with breakthrough proprietary products. Pinetree's interests are in companies with information and internet infrastructure technologies, telecommunications and wireless technologies, and biomedical technologies.

2. Significant accounting policies:

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles. The most significant accounting policies are as follows:

(a) Basis of preparation:

These consolidated financial statements include the accounts of Pinetree and its wholly-owned subsidiaries: Emerald Capital Corp. (600229 Alberta Inc.), 474048 B.C. Ltd., 1177344 Ontario Inc., 1065614 Ontario Inc., and Pinetree (Barbados) Inc. All significant inter-company accounts and transactions are eliminated on consolidation.

(b) Investments:

At each financial reporting period, the Company's management determines the valuation of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

(i) Publicly-traded investments:

1. Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted market prices at the consolidated balance sheets dates or the closing 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. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments.
3. Options and warrants of publicly-traded securities are carried at the difference between the exercise price and the quoted market price of the underlying securities, if the exercise price is lower than the quoted market price. Otherwise, options and warrants are carried at nil.

(ii) Privately-held investments:

1. Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by pervasive and objective evidence such as significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value. Downward adjustments to carrying value are made when there is evidence of a permanent decline

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

2. Significant accounting policies (continued):

in value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts and other developments since acquisition.

- Options and warrants of privately held securities are carried at cost unless there's an upward adjustment supported by pervasive and objective evidence such as significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value.

(iii) Other investment instruments:

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

- Convertible debentures and convertible notes are carried as though converted to common shares.
- Debt instruments are fair valued at the lesser of their discounted cash flow or the fair value of the underlying security.
- Cumulative dividends expected to be received are included in the fair value of each investment.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which Pinetree's publicly-traded investments could be disposed of currently may differ from carrying value 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. The amounts at which Pinetree's privately-held investments could be disposed of currently may differ from the carrying value assigned as a substantial period of time may have elapsed since the latest third party equity financing.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term investments with original maturities of less than three months.

(d) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided at rates designed to amortize the cost of capital assets over their estimated useful lives as follows:

| | Rate | Basis |
|-------------------------|---------|----------------------------|
| Computer equipment | 30% | Declining balance |
| Leasehold improvements | 6 years | Over the term of the lease |
| Furniture and equipment | 20% | Declining balance |

(e) Revenue recognition:

Realized gains and losses on disposition of investments and unrealized gains or 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 year of disposition. Dividend income is recorded on the ex-dividend date. Interest income and other income are recorded on an accrual basis.

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

2. Significant accounting policies (continued):

(f) 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. 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 loss for the year.

(g) 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. Under The Canadian Institute of Chartered Accountants' Handbook Section 3465, "Accounting for Income Taxes", the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(h) Stock-based compensation plans:

The Company has stock-based compensation plans, which are described in note 7. No compensation expense is recognized for these plans when the stock or stock options are issued. Any consideration paid on the exercise of stock options or purchase of stock is credited to share capital.

(i) Use of estimates:

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, investments, 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.

(j) Earnings per share:

Basic earnings per share have been determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow. Fully diluted earnings per share are in accordance with the treasury stock method and are based on the weighted average number of common shares and dilutive common share equivalents outstanding.

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

3. Changes in accounting policies:

(a) Investments:

Effective January 1, 2001, the Company changed its accounting policy for marketable securities, equity investments and other investments to the fair value method. In prior years, the Company accounted for its marketable securities using the lower of cost and market method. Equity investments, where the Company does not have control but is able to exercise significant influence over an investee, were carried at cost plus the Company's equity in undistributed earnings (losses), less dividends received, since the date of acquisition. Other long-term investments were carried at cost and were written down to their market value where other than a temporary decline in market value has occurred. This change in policy to fair value has been accounted for retroactively and accordingly, the comparative consolidated financial statements have been restated.

The fair value method allows the Company to present consolidated financial statements that are consistent with its operating activities, and provides more useful information to evaluate the Company's business. As part of the change in accounting policy for investments to fair value, unrealized changes in the fair value of investments are now recorded as part of income for the year.

The change has been applied retroactively from January 1, 2000 and the 2000 consolidated financial statements have been restated. The cumulative effect of this change as of January 1, 2000 increased opening retained earnings by \$38,532,671. Other effects of the change in policy on the consolidated balance sheet as at December 31, 2000 were to reduce marketable securities, equity investments and other investments to nil and to increase investments by \$52,665,431, increase income taxes receivable by \$50,000, reduce future tax assets by \$1,095,821, and increase future tax liability by \$5,233,203.

On the consolidated statement of operations for the year ended December 31, 2000, this change resulted in a decrease in gain on sale of investments of \$4,016,242; an increase in reversal of previously recognized gains of \$18,234,162; an increase in unrealized losses of \$678,566; the elimination of share of loss in affiliated companies of \$747,855; an increase in interest and dividend income of \$40,000; an increase in foreign exchange loss of \$76,638; the elimination of write-down of marketable securities and write-down of long-term investments of \$5,139,019 and \$1,769,031, respectively; and a decrease in provision for income taxes of \$3,857,752.

As a result, the cumulative effect as at December 31, 2000 was to increase retained earnings previously reported by \$25,585,010.

(b) Earnings per share:

The Company has retroactively adopted the new recommendations for determining earnings per share issued by The Canadian Institute of Chartered Accountants. Prior year consolidated financial statements have been restated to conform with the recommendations. Accordingly, basic earnings per share have been determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow. Fully diluted earnings per share are in accordance with the treasury stock method and are based on the weighted average number of common shares and dilutive common share equivalents outstanding. This change has no effect on basic earnings per share and has resulted in a decrease of \$0.07 in fully diluted earnings per share in the year ended December 31, 2000.

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

4. Restricted Cash:

During 2001, the Company pledged \$350,000 of cash held in a Guaranteed Investment Certificate as collateral for a letter of credit issued for one of the Company's investee companies. The Guaranteed Investment Certificate earned interest at a rate of 1.75% per annum and matured and became unrestricted on January 31, 2002 (2000 – 4.25% per annum and matured on January 31, 2001).

5. Investments:

Investments consist of the following as at December 31, 2001:

| | Security Description | Fair Value |
|--|--|----------------------|
| Investments with a quoted market value | | |
| Brownstone Resources Inc. | 2,685,859 common shares | \$ 349,162 |
| Enghouse Systems Limited | 700,000 common shares | 6,146,000 |
| GeneVest Inc. | 1,870,803 common shares | 3,223,858 |
| iJoin Systems, Inc. | 300,000 series B preferred shares | 205,832 |
| Lumenon Innovative Lightwave Technology Inc. | 815,500 common shares | 754,703 |
| Manitex Capital Inc. | 2,099,906 common shares | 104,995 |
| NSI Global Inc. | 3,131,770 common shares | 2,254,874 |
| Red-tail Info Tech Inc. | 834,000 common shares | 83,400 |
| SoftQuad Software Inc. | 2,571,218 common shares | 3,200,055 |
| Treat Systems Inc. | 305,779 common shares | 15,289 |
| Other equity investments (a) | | 1,391,875 |
| | | <u>\$ 17,730,043</u> |
| Investments with no quoted market value | | |
| Fiber Optics System Technology Inc. | 428,135 common shares; 93,012 warrants expire Oct 13, 2005 | \$ 2,233,842 |
| Primacy Corporation | 3,530,373 common shares; 50,000 warrants expire Jul 13, 2003 | 1,996,076 |
| Solomon Technologies, Inc. | 11% convertible debenture, due Jan 18, 2002 (currently under renegotiation) | 703,573 |
| Other equity investments (a) | | 864,216 |
| Other debt investments (a), (b) | | 275,274 |
| | | <u>\$ 6,072,981</u> |
| Total investments | | <u>\$ 23,803,024</u> |

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

5. Investments (continued):

Investments consist of the following as at December 31, 2000:

| | Security Description | Fair Value |
|--|--|----------------------|
| Investments with a quoted market value | | |
| Brownstone Resources Inc. | 2,285,859 common shares | \$ 580,240 |
| Enghouse Systems Limited | 700,000 common shares | 6,790,000 |
| GeneVest Inc. | 1,806,503 common shares | 5,293,054 |
| Lumenon Innovative Lightwave Technology Inc. | 815,500 common shares | 6,135,492 |
| Manitex Capital Inc. | 2,099,906 common shares | 839,962 |
| NSI Communications Inc. | 3,131,770 common shares | 4,196,572 |
| Red-tail Info Tech Inc. | 950,000 common shares; 500,000 warrants expire Dec 15, 2001 | 456,000 |
| SoftQuad Software Inc. | 2,571,218 common shares | 15,117,656 |
| Treat Systems Inc. | 305,779 common shares | 184,505 |
| Other equity investments (c) | | 5,800,595 |
| | | \$ 45,394,076 |
| Investments with no quoted market value | | |
| Fiber Optics System Technology Inc. | 428,135 common shares; 93,012 warrants expire Oct 13, 2005 | 2,073,400 |
| iJoin Systems, Inc. | 1,500,000 series B preferred shares; 750,000 warrants expire Jan 14, 2002 | 1,110,750 |
| JCI Corporation | 31,793 common shares; 11% convertible promissory notes | 633,407 |
| KBL Capital Partners Inc. | 50 common shares | 1 |
| Primacy Corporation | 3,000,000 common shares; 50,000 warrants expire Jul 13, 2003 | 1,777,200 |
| Prolessions.com Inc. | 698,500 common shares | 470,218 |
| Other equity investments (c) | | 800,874 |
| Other debt investments (c) | | 405,505 |
| | | \$ 7,271,355 |
| Total investments | | \$ 52,665,431 |

- (a) Other equity investments and Other debt investments include investments in which Pinetree owns less than 5% of the company, or Pinetree has invested less than \$500,000 in the company, or the investment's fair value is less than \$500,000 as at December 31, 2001.
- (b) As at December 31, 2001, total debt investments outstanding, at cost, bear interest at an average annual rate of 6% and are scheduled for repayment on April 25, 2005.
- (c) Other equity investments and Other debt investments include investments in which Pinetree owns less than 5% of the company, or Pinetree has invested less than \$500,000 in the company, or the investment's fair value is less than \$500,000 as at December 31, 2000.

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

6. Capital assets:

Capital assets consists of the following:

| | 2001 | | | 2000 | | |
|-------------------------|-------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Cost | Accumulated amortization | Net book value |
| Computer equipment | \$ 95,751 | \$ 57,134 | \$ 38,617 | \$ 86,840 | \$ 42,971 | \$ 43,869 |
| Leasehold improvements | 255,706 | 31,760 | 223,946 | — | — | — |
| Furniture and equipment | 286,629 | 112,920 | 173,709 | 247,777 | 86,206 | 161,571 |
| | \$ 638,086 | \$ 201,814 | \$ 436,272 | \$ 334,617 | \$ 129,177 | \$ 205,440 |

7. Share Capital:

Share capital consists of the following:

Authorized: Unlimited number of common shares

Issued and outstanding:

| | 2001 | | 2000 | |
|---|-----------|---------------------|-----------|---------------------|
| | # | Amount | # | Amount |
| Balance, beginning of year | 9,698,369 | \$19,056,837 | 9,387,569 | \$18,513,612 |
| Issued for cash pursuant to exercise warrants (a) | 15,000 | 20,250 | 187,500 | 245,625 |
| Issued for cash under stock option agreements | — | — | 52,500 | 67,500 |
| Issued for cash pursuant to private placement offerings net of share issuance costs | — | — | 70,800 | 230,100 |
| Purchase for cash under issuer buyback plan (b) | (133,800) | (132,900) | — | — |
| Balance, end of year | 9,579,569 | 18,944,187 | 9,698,369 | 19,056,837 |
| Share purchase loan (c) | (225,000) | (405,000) | (250,000) | (427,500) |
| | | \$18,539,187 | | \$18,629,337 |

(a) Warrants:

Attached to the 1999 private placement offerings were warrants to purchase 415,000 common shares ranging from \$1.25 to \$1.35 per share expiring from September 2000 to August 2001, the value of which was not material. In 2001, 15,000 (2000 – 187,500) warrants were exercised during the year. As at December 31, 2001, there were no warrants outstanding (2000 – 15,000 warrants were outstanding at a purchase exercise price of \$1.35 per share).

(b) Issuer buyback plan:

The Company plans to purchase up to 485,000 common shares through an issuer buyback plan. The issuer buyback plan runs from April 10, 2001 to April 9, 2002. Purchase and payment for the common shares will be made by the Company in accordance with Canadian Venture Exchange [“CDNX”] requirements and, subsequent to September 10, 2001, TSE requirements. During the year, the Company purchased 133,800 common shares ranging from \$0.54 to \$1.60 per share.

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

7. Share Capital (continued):

(c) Employee stock purchase plan:

Under this plan, the Company may loan money to employees to purchase not greater than 10% of outstanding common shares of the Company. A trustee holds the shares until the loan is repaid. Any amount loaned by the Company to an employee pursuant to the plan shall be non-interest bearing and payable within a period not exceeding 10 years. In the event that the employment of the employee is terminated, the employee loan is payable 60 days from termination. Also, upon termination, the trustee may without notice sell the common shares held. During the year, no shares were cancelled and 25,000 common shares were surrendered under the plan.

Under this plan, an officer and director of the Company is indebted to the Company for \$405,000 (2000 – \$427,500) in connection with the Company's employee stock purchase plan agreement dated November 16, 1994. As at December 31, 2001, 225,000 (2000 – 250,000) common shares of the Company have been pledged as collateral for this loan. This loan is non-interest bearing and has the following terms of repayment:

- (i) 5% in each of the sixth and seventh year from date of issue of the shares;
- (ii) 10% in each of the eighth and ninth year from the date issued; and
- (iii) remaining balance to be paid in the tenth year from the date issued.

(d) Stock option plans:

The Company has 1989, 1995, Plan No. 2, 1997, and 2000 stock option plans for directors, officers, key employees and consultants to enable them to purchase common shares of the Company, as administered by the Board of Directors.

The number of shares which were authorized to be issued was a maximum of 10% of the outstanding shares on a fully diluted basis for the 1989 plan, 2,000,000 for the 1995 plan, 333,333 for Plan No. 2, 750,000 for the 1997 plan, and 2,000,000 for the 2000 plan. An individual can receive grants of no more than 5% of the outstanding shares of the Company on a yearly basis and options are exercisable over a period not exceeding 10 years (five years under the 2000 plan). The 2000 options have a vesting period of eight quarters (no vesting period prior to the 2000 plan).

Under the 1989, 1995, Plan No. 2 and 1997 plans, the exercise prices for purchasing these shares cannot be less than the market price of the common shares on the last day on which the common shares traded prior to the date of the granted option. For the 2000 plan, the exercise prices for purchasing these shares cannot be less than the minimum exercise price as provided by stock exchange rules.

No further shares are being issued under the 1989, 1995, Plan No. 2 and 1997 stock option plans.

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

7. Share Capital (continued):

A summary of the status of the Company's five stock option plans as at December 31, 2001 and 2000 and changes during the years ended on those dates is presented below:

| Stock Options | 2001 | | 2000 | |
|-----------------------------------|-----------|---------------------------------|-----------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding, at beginning of year | 1,312,500 | \$ 2.54 | 402,500 | \$ 1.58 |
| Granted | 357,500 | 1.97 | 962,500 | 2.87 |
| Exercised | — | — | (52,500) | 1.29 |
| Forfeited | (514,332) | 2.20 | — | — |
| Outstanding, at end of year | 1,155,668 | \$ 2.51 | 1,312,500 | \$ 2.54 |
| Exercisable, at end of year | 970,045 | \$ 2.60 | 1,260,000 | \$ 2.53 |

The following table summarizes information about stock options outstanding as at December 31, 2001:

| Range of exercise prices | Number of options | Options outstanding | | Number of options | Options exercisable | |
|--------------------------|-------------------|---------------------------------|---|-------------------|---------------------------------|---|
| | | Weighted average exercise price | Weighted average remaining life (years) | | Weighted average exercise price | Weighted average remaining life (years) |
| \$1.00 to \$2.50 | 432,500 | \$ 1.79 | 3.43 | 273,438 | \$ 1.70 | 3.01 |
| \$2.51 to \$3.62 | 723,168 | 2.95 | 3.06 | 696,607 | 2.95 | 3.04 |
| | 1,155,668 | \$ 2.51 | 3.20 | 970,045 | \$ 2.60 | 3.03 |

8. Advances to and from affiliated companies:

Advances to and from affiliated companies consist of the following:

| | 2001 | 2000 |
|---|--------------|--------------|
| Advances to affiliated companies | | |
| Brownstone Resources Inc. (a), (c) | \$ 1,384,537 | \$ 1,004,713 |
| KBL Capital Partners Inc. (b), (c) | — | 187 |
| | \$ 1,384,537 | \$ 1,004,900 |
| Advances from affiliated companies | | |
| GeneVest Inc. (b), (c), (d) | \$ 5,956,793 | \$ 1,130,168 |
| Maple Minerals Inc. (a), (c) | — | 2,422 |
| | \$ 5,956,793 | \$ 1,132,590 |

- The Company does not exercise significant influence and generally has less than 20% interest in these companies.
- The Company is able to exercise significant influence over these companies.
- These advances bear interest at Royal Bank prime plus 1% per annum and are due on demand. As at December 31, 2001, the effective interest rate was 5% (2000 – 8.5%).
- These advances are unsecured except for the advance from GeneVest Inc. (CDNX: GNV.u) which is collateralized by a general security agreement on all present and future tangible and intangible personal property of the Company.

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

9. Related party transactions:

- (a) During the year, Pinetree had consulting agreements with officers and directors representing approximately \$30,000 (2000 - \$36,000) per month. Included in operating, general and administrative expenses in 2001 is approximately \$357,000 (2000 - \$433,000) paid under these contracts. In addition, in 2000, the Company had accrued a bonus of \$61,107 for services rendered to the Company by a company owned by a director and officer.
- (b) Included in the consolidated statements of operations is approximately \$98,000 (2000 – \$146,000) of interest income relating to interest charged to affiliated companies throughout the year and approximately \$270,000 (2000 – \$19,000) of interest expense charged by affiliated companies throughout the year.

10. Income Taxes:

- (a) Income tax expense attributable to income before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 41.74% (2000 – 43.95%) of pre-tax income as a result of the following:

| | 2001 | 2000 |
|--|----------------|----------------|
| Loss before income taxes | \$(31,094,471) | \$(15,018,574) |
| Computed "expected" income tax recovery | (12,978,832) | (6,600,663) |
| Future income tax benefit resulting from rate change | 381,049 | 102,403 |
| Net future income tax asset not recognized | 2,374,245 | — |
| Non-taxable portion of capital gains | 939,299 | (624,156) |
| Non-taxable portion of reversal of unrealized gains (losses) | (199,847) | 4,178,520 |
| Non-taxable portion of unrealized gains (losses) | 4,960,513 | (535,445) |
| Permanent and other differences | 50,569 | 21,947 |
| Recovery of income taxes | \$ (4,473,004) | \$ (3,457,394) |

- (b) Significant components of the recovery of income taxes for the year ended December 31 are as follows:

| | 2001 | 2000 |
|---|----------------|----------------|
| Current tax expense | \$ — | \$ — |
| Non-capital loss carried back | — | (175,891) |
| Future income tax recoverable relating to origination and reversal of temporary differences | (4,473,004) | (3,281,503) |
| Recovery of income taxes | \$ (4,473,004) | \$ (3,457,394) |

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

10. Income Taxes: (continued):

(c) The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

| | 2001 | 2000 |
|---|---------------------|-----------------------|
| Future tax assets | | |
| Capital assets – differences in amortization and unamortized capital cost | \$ 44,097 | \$ 27,986 |
| Non-capital losses carried forward | 2,061,448 | 718,213 |
| Capital losses carried forward | 342,792 | — |
| Net future tax assets | \$ 2,448,337 | \$ 746,199 |
| Future tax liabilities | | |
| Long-term investments – differences in accounting cost and tax cost | \$ (74,092) | \$ (5,233,203) |
| Net future tax liabilities | \$ (74,092) | \$ (5,233,203) |
| Total future tax assets and liabilities | 2,374,245 | (4,487,004) |
| Less: valuation allowance | (2,374,245) | — |
| Net future tax assets (liabilities) | \$ — | (4,487,004) |

(d) As at December 31, 2001, the Company has non-capital losses of approximately \$5,337,000 expiring as follows:

| | |
|------|---------------------|
| 2007 | \$ 391,000 |
| 2008 | 4,946,000 |
| | \$ 5,337,000 |

11. Lease commitments:

Future minimum annual lease payments under operating leases for equipment and premises are approximately as follows:

| | |
|------|---------------------|
| 2002 | \$ 247,000 |
| 2003 | 243,500 |
| 2004 | 243,500 |
| 2005 | 243,500 |
| 2006 | 243,500 |
| 2007 | 101,000 |
| | \$ 1,322,000 |

Notes to Consolidated Financial Statements

For the years ended December 31, 2001 and 2000

12. Financial Instruments:

(a) Fair value:

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

- (i) The carrying amounts of cash and cash equivalents, prepaid and other receivables, advances to and from affiliated companies, due to brokers and accounts payable and accrued liabilities in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments are carried at amounts in accordance with the Company's accounting policy set out in note 2(b) above.

(b) Currency risk:

The Company's activities which resulted in exposure to fluctuations in foreign currency exchange rates consisted of the purchase of investments in foreign currencies. The Company does not use derivative financial instruments to reduce its currency risk.

As at December 31, 2001, cash and cash equivalents included \$8,085 (2000 - \$86,989), advances to affiliated companies included \$310,853 (2000 - nil), investments included \$13,011,163 (2000 - \$36,344,653), advances from affiliated companies included \$4,982,500 (2000 - \$446,680) and due to brokers included \$182,880 (2000 - \$3,044,569) denominated in U.S. dollars.

(c) Credit risk:

Certain of the Company's financial assets, including cash and cash equivalents, are exposed to the risk of a financial loss occurring as a result of default of a counterparty on its obligation to the Company. The Company may, from time to time, invest in debt obligations.

The Company is also exposed, in the normal course of business, to credit risk from the sale of its investments and advances to potential investee companies. As at December 31, 2000, \$583,998 included in prepaid and other receivables was due from one party.

13. Subsequent events:

On January 15, 2002, the Company purchased 700,000 common shares of NSI Global Inc. (TSE: NGL) for \$350,000 as part of a \$14.2 million private placement financing completed by NSI Global Inc.

14. Comparative consolidated financial statements:

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 consolidated financial statements.

Strategic Investment Portfolio

Application and Platform Software Technology

Enghouse Systems Limited

80 Tiverton Court
Suite 800
Markham, Ontario
L3R 0G4
Website: www.enghouse.com
Trading Symbol: "ESL" (TSE)

Primacy Corporation

Charnic Business Centre
Spring Garden Highway
St. Michael, Barbados
Website: www.primacycorp.com

Red-Tail Infotech Inc.

350 – 815, 8th Avenue S. W.
Calgary, Alberta
T2P 3P2
Website: www.red-tail.com
Trading Symbol: "RIT" (CDNX)

SoftQuad Software, Ltd.

161 Eglinton Avenue East
Suite 400
Toronto, Ontario
M4P 1J5
Website: www.softquad.com

IJoin.com, Inc.

2505 – 2nd Avenue
Suite 500
Seattle, Washington
98121
Website: www.ijoin.com

Manitex Capital Inc.

1 Place Ville-Marie
Suite 2001
Montreal, Quebec
H3B 2C4
Website: www.manitexcapital.com
Trading Symbol: "YMN" (CDNX)

Telecommunication and Fibre Optics Technology

NSI Global Inc.

4610 Chemin Bois Franc
St. Laurent, Quebec
H4S 1A7
Website: www.nsicomm.com
Trading Symbol: "NGL" (TSE)

Lumenon Innovative Lightwave

Technology Inc.
9060 Ryan Avenue
Dorval, Quebec
H9P 2M8
Website: www.lumenon.com
Trading Symbol: "LUMM" (Nasdaq BB)

Fiber Optics System Technology Inc.

850 Penns Way
West Chester, Pennsylvania
19382
Website: www.fox-tek.com

Biomedical Technology and Other

Visible Genetics Inc.

700 Bay St.
Suite 1000, Box 333
Toronto, Ontario
M5G 1Z6
Website: www.visgen.com
Trading Symbol: "VGIN" (Nasdaq NMS)

Solomon Technologies, Inc.

P.O. Box 314
7375 Benedict Ave
Benedict, MD
20612
Website: www.solomontechnologies.com

Corporate Officers

Sheldon Inwentash, C.A.

Chairman of the Board,
President and
Chief Executive Officer

Larry Goldberg, C.A.

Executive Vice-President
and Chief Financial Officer

Luigi M. Falzone

Vice-President,
Legal & Corporate Affairs
and Secretary

Board of Directors

Sheldon Inwentash, C.A.

Chairman of the Board
Pinetree Capital Corp.
Toronto, Ontario

David A. Williams

President
Roxborough Holdings Inc.
Toronto, Ontario

Douglas T. Wright

President Emeritus
University of Waterloo
Waterloo, Ontario

Steven Saviuk, C.A.

Chief Executive Officer
Manitex Capital Inc.
Montreal, Quebec

Harvey Tepner, C.A.

Managing Director
Loeb Partners Corporation
New York, New York

Shareholder Information

Head Office

The Exchange Tower
130 King Street West
Suite 2810, P.O. Box 47
Toronto, Ontario
M5X 1A9
Telephone: (416) 941-9600
Facsimile: (416) 941-1090
Toronto, Ontario
E-mail: ir@pinetreecapital.com
Website: www.pinetreecapital.com

Auditors

Ernst & Young, LLP
Toronto, Ontario

Legal Counsel

Aird & Berlis
Toronto, Ontario

Registrar and Transfer Agent

Equity Transfer Services Inc.
120 Adelaide Street West - Suite 420
Richmond - Adelaide Centre
Toronto, Ontario
M5H 4C3
Telephone: (416) 361-0152
Facsimile: (416) 361-0470

Annual Meeting

The Annual Meeting of the
shareholders will be held at
at the Toronto Stock Exchange,
Executive Boardroom, on May 30, 2002
at 4:30pm EDT.

Common Share Information

The common shares of the Company are traded
on the Toronto Stock Exchange under
the symbol "PNP".





The Exchange Tower
130 King Street West
Suite 2810, P.O. Box 47
Toronto, Ontario M5X 1A9

Telephone: (416) 941-9600
Facsimile: (416) 941-1090
E-mail: ir@pinetreecapital.com
Website: www.pinetreecapital.com

