



Management's Discussion and Analysis

For the Year Ended: December 31, 2008

Date of Report: March 5, 2009

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Pinetree Capital Ltd. ("Pinetree" or the "Company") should be read in conjunction with Pinetree's audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2008 and 2007. This MD&A includes the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc., Pinetree (Barbados) Inc., Pinetree Capital Markets Limited, and Emerald Capital Corp., as well as Pinetree Resource Partnership and Pinetree Income Partnership in which Pinetree directly and indirectly owns a 100% partnership interest. All significant inter-company accounts and transactions have been eliminated on consolidation. 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, 2008 and 2007. See "Significant Accounting Policies" elsewhere in this MD&A.

All financial data in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), except as otherwise indicated (see "Use of Non-GAAP Measures"). All dollar amounts in this MD&A are reported in thousands of Canadian dollars, except for per share amounts. Additionally, all comparative figures in this MD&A, as applicable, have been adjusted to reflect a 2-for-1 stock split effected by the Company by way of a stock dividend of one common share for every common share outstanding at the close of business on April 5, 2007.

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-

looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance, market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments" and in the Company's current annual information form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available at www.sedar.com.

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

Nature of the Business:

Pinetree was incorporated under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". Pinetree is a diversified investment, financial advisory and merchant banking firm focused on the small-cap, junior resource exploration 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 develop a macro view of a sector, build a position consistent with the view by identifying micro-cap opportunities within that sector, and devise an exit strategy designed to maximize our relative return in light of changing fundamentals and opportunities.

Overall Performance and Corporate Events:

Throughout most of 2008, the global financial markets were characterized by extreme volatility, as market participants reacted and responded to growing uncertainty and subsequent pessimism over the North American and international economies. Commodity prices and stock prices ended the year at levels significantly lower and, in many cases, at or near all-time lows.

The effect of this turmoil on the Company's results for fiscal 2008 was significant. The net gains on the disposal of investments which we realized during the prior year contrasted sharply with net losses recognized this year. Most significantly, net unrealized losses on our portfolio

increased dramatically over the year and during the fourth quarter in particular, reflecting the declines in stock prices of issuers in most, and at times all, industries.

Both net unrealized losses and net losses on disposal of investments reflect the significant declines in the trading prices of the Company's investments caused, for the most part, by macro economic and financial factors affecting the public markets generally, rather than company-specific events.

Notwithstanding these unprecedented economic and financial circumstances, Pinetree remains committed to its investment strategy and long-term objectives. The Company believes that there will continue to be volatility and downward pressure on stock prices in the near term and, until such time as there is sustained stabilization and improvement in market conditions, Pinetree does not expect to make significant realized gains on its investments, and may incur realized losses on sales of its investments in order to generate cash needed to fund its operations. Additionally, if there are further declines in the trading prices of the securities which Pinetree holds, the Company may incur additional unrealized losses on its investments.

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

Operating Results	Three months ended December 31,		Twelve months ended December 31,	
	2008	2007	2008	2007
Gains (losses) on disposal of investments, net	\$ (3,022)	\$ 20,305	\$ (4,607)	\$ 190,838
Unrealized losses on investments, net	(99,105)	(21,135)	(417,934)	(288,369)
Income (loss) from equity accounted investments	(2,247)	4,843	(6,234)	5,548
Net investment gains (losses)	(104,374)	4,013	(428,775)	(91,983)
Net loss for the period	(93,564)	(2,214)	(356,048)	(91,605)
Loss per common share – basic	(0.71)	(0.02)	(2.92)	(0.94)
Loss per common share – diluted	(0.71)	(0.02)	(2.92)	(0.94)

The Company's net investment losses for the three and twelve months ended December 31, 2008 were comprised mainly of net unrealized losses on the Company's investments incurred as a result of the continuing decline in stock prices during the periods and the mark-to-market accounting rules applicable thereto and net losses on disposal of investments, as compared to net gains in the prior periods.

For the three months ended December 31, 2008, the Company had a net loss of \$93,564 (\$0.71 per basic share) as compared to a net loss of \$2,214 (\$0.02 per basic share) for the same period last year. For the twelve months ended December 31, 2008, the Company had a net loss of \$356,048 (\$2.92 per basic share) as compared to a net loss of \$91,605 (\$0.94 per basic share) for the same period last year. The increased net loss for both periods was primarily attributable to increased net unrealized losses on investments recognized in accordance with the mark-to-market accounting rules.

The majority of the decrease in the fair value of the Company's investments and equity accounted investments was due to the decline in stock prices (as noted above), with a smaller portion of the decrease attributable to net dispositions. As at December 31, 2008, the Company held investments at fair value and equity accounted investments of \$137,536 as compared to \$611,594 as at December 31, 2007 (a 77.5% decrease).

As at December 31, 2008, shareholders' equity stood at \$174,210 as compared to \$476,927 as at December 31, 2007 (a 63.5% decrease).

A significant portion of the cash operating expenses of the Company are comprised of transaction costs (trading commissions) and interest. Transaction costs during 2009 are likely to remain relatively consistent, and interest costs are expected to decline since the Company's current debt level is lower than the average amount of debt outstanding during fiscal 2008.

A summary of certain corporate events, which occurred during the 2008 fiscal year, is provided below:

In June 2008, Mr. Alan Hibben was appointed to Pinetree's board of directors and as a member of Pinetree's audit committee. Mr. Hibben has extensive experience in the financial services industry, including in the areas of corporate development, mergers and acquisition advisory services, private equity and venture capital. Most recently, he was Chief Executive Officer of RBC Capital Partners and Head, Strategy & Development, of RBC Financial Group. Currently, Mr. Hibben is a partner at Blair Franklin Capital Partners Inc., an independent financial advisory firm.

In July 2008, Mr. Donato Sferra, Vice President, Investments, resigned from the Company to pursue other interests. Mr. Sferra joined Pinetree in February 2007.

The Company's normal course issuer bid expired on September 25, 2008.

Investments:

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

Sectors:	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Resources:				
Precious metals	\$ 186,891	\$ 50,540	\$ 236,272	\$ 240,479
Uranium	147,117	26,953	166,662	118,384
Base metals	122,379	23,529	84,923	72,874
Oil & gas	40,052	10,066	50,315	45,543
Potash and rare earths	10,220	3,658	5,954	17,052
Molybdenum	35,198	3,159	40,652	50,506
Technology and other	28,999	8,205	29,701	23,805
Biotechnology	13,352	5,493	13,838	11,400
Energy related technology	15,710	2,366	11,643	11,996
Total investments	\$ 599,918	\$ 133,969	\$ 639,960	\$ 592,039

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

Resources:	2008		2007	
		<u>% of Total</u>		<u>% of Total</u>
Precious metals	154	36.1	196	40.2
Uranium	79	18.5	87	17.9
Base metals	74	17.3	67	13.8
Oil & gas	41	9.6	56	11.5
Molybdenum	19	4.4	22	4.5
Potash and rare earths	7	1.6	4	0.8
Technology and other	34	8.0	35	7.2
Biotechnology	9	2.2	11	2.3
Energy related technology	10	2.3	9	1.8
	427	100.0	487	100.0

The total number of investments held by the Company has decreased to 427 from 487 at the end of the previous year. The decline in the Company's investment activity was a result of the heightened volatility and unpredictability of the sectors in which the Company invests, and the Company does not anticipate a significant increase in the number of its investments in the short term. The Company continues to focus on investments in the resource sector. As at December 31, 2008, 374 out of 427, or 87.5%, of the investments were in the resource sector. As at December 31, 2008, \$117,905 (88.0%) of the fair value of the investments was in resource companies as compared to \$544,838 (92.0%) as at December 31, 2007.

The lack of access to credit and the worsening of the global recession have negatively and significantly impacted commodity and materials prices, driving down trading prices of stocks in the different resource sectors in which the Company primarily invests. As a result, the fair value of the investments held by the Company as at December 31, 2008 decreased by 77.4% to \$133,969 as compared to \$592,039 at the end of last year. The cost base of the Company's portfolio was \$599,918 as at December 31, 2008 as compared to \$639,960 as at December 31, 2007. As such, the cost of investments exceeded fair value by \$465,949 as at December 31, 2008 versus \$47,921 as at December 31, 2007. The increase arose primarily from the unrealized losses of \$417,934 in the twelve months ended December 31, 2008 due to an overall decline of the closing bid prices of the Company's investments and a write-down of the value of Pinetree's private company investments (see "Investments").

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

As at December 31, 2008, included in total investments were securities of private companies with a fair value totalling \$14,270, 10.7% of total fair value, (cost of \$42,082)

(December 31, 2007 – fair value of \$52,450, 8.9% of total fair value; cost of \$43,589), which reflects an overall reduction in the fair value of the Company's private investments by approximately 75%, intended to approximate the general decline in the fair value of securities of public companies in the same industries. The decrease in fair value was determined in accordance with the Company's accounting policy for private company investments (see "Accounting Policy For Valuing Investments" and "Critical Accounting Estimates"). The cost basis of the Company's private investments also declined during the year because several of the private investments became public issuers.

(b) Equity accounted investments consists of the following as at December 31,:

	2008	2007
Equity accounted investments - carrying value, beginning of year	\$ 19,555	\$ 21,932
Purchases of equity accounted investments	1,974	-
Income (loss) from equity accounted investments	(6,234)	5,548
Dividends received from equity accounted investments	(11,728)	(7,925)
Equity accounted investments - carrying value, end of year	\$ 3,567	\$ 19,555
Equity accounted investments - cost	\$ 1,974	\$ -
Number of equity accounted investments	3	1

During the year, the Company purchased an additional 14,500,000 common shares of Mega Moly Inc. for \$325, giving Pinetree a 35.4% equity interest in the company, and purchased 2,000,000 common shares of Vesta Capital Corp. for \$400, giving Pinetree a 31.7% equity interest therein. As a result of having an ownership interest of greater than 20%, the Company is deemed to have significant influence over these companies and the Company is required to account for these investments using the equity method.

See "Accounting Policy For Valuing Investments" for details of how the Company values investments accounted for using the equity method. Refer to note 4 of the Notes to the audited consolidated financial statements as at and for the years ended December 31, 2008 and 2007 for additional details of the Company's investment portfolio.

Results of Operations:

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

	2008	2007	2006
Net investment gains (losses)	\$ (428,775)	\$ (91,983)	\$ 291,335
Net income (loss) for the year	(356,048)	(91,605)	183,127
Earnings (loss) per share – basic	(2.92)	(0.94)	2.31
Earnings (loss) per share – diluted	(2.92)	(0.94)	2.18
Total assets	201,398	620,179	553,828
Total liabilities	27,188	143,252	185,998
Shareholders' equity	174,210	476,927	367,830

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

	Quarter ended (unaudited)			
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Net investment gains (losses)	\$ (104,374)	\$ (256,209)	\$ 13,905	\$ (82,097)
Net income (loss) for the period	(93,564)	(210,853)	4,774	(56,405)
Earnings (loss) per share – basic	(0.71)	(1.63)	0.04	(0.50)
Earnings (loss) per share – diluted	(0.71)	(1.63)	0.04	(0.50)

	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Net investment gains (losses)	\$ 4,013	\$ (132,227)	\$ (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

Three Months Ended December 31, 2008 and 2007:

For the three months ended December 31, 2008, the Company generated a net realized loss on disposal of investments of \$3,022, as compared to a net realized gain on disposal of investments of \$20,305 for the fourth quarter of 2007. During the current quarter, the Company's realized losses were primarily from its loss on the disposition of securities of Chalk Media Corp.

The Company had net unrealized losses on investments of \$99,105 for the three months ended December 31, 2008, as compared to net unrealized losses on investments of \$21,135 for the same period in 2007. Net unrealized losses for the three months ended December 31, 2008, were comprised of \$107,909 from the write-down to market on the Company's investments and \$8,804 from the reversal of previously recognized net unrealized gains on the disposal of investments during the period. Of the total write-down to market of the Company's investments during the current period, \$12,005 was related to the write-down of the Company's private investments to approximate similar declines in public company valuations (as discussed above under "Investments"). 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 \$37,462 arose from the write-down to market on the Company's investments.

For the three months ended December 31, 2008, the Company had losses from its equity accounted investments of \$2,247 as compared to a gain from its equity accounted investment of \$4,843 in the same period in the prior year.

During the current quarter, other revenue totalled \$171, as compared to \$2,262 for the same period last year. Other revenue is comprised of \$146 (three months ended December 31, 2007 – \$149) from consulting fees and rental income and \$25 (three months ended December 31, 2007 - \$2,113) of interest income earned on certain of the Company's investments and interest income from tax assessment refunds.

Operating, general and administrative expenses in the three months ended December 31, 2008 decreased to \$2,662 from \$6,788 in the three months ended December 31, 2007. The decrease of \$4,126 in the current period resulted primarily from a decrease of \$2,822 in an annual bonus accrual (including GST) to the Company's Chairman and Chief Executive Officer ("CEO") and the absence of other bonuses paid out by the Company to officers of the Company during the period as compared to \$334 paid during the same period in 2007. 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. Included in operating, general and administrative expenses is \$2,223 in stock-based compensation expense, as compared to \$2,938 in the fourth quarter of 2007, a decrease of \$715 resulting from terminated options during the current period and options granted at a lower cost during the current year due to lower stock price. Excluding the bonuses and stock-based compensation expense, operating, general and administrative expenses during the three months ended December 31, 2008 decreased by 20.3% to \$999 from \$1,254, as described further below.

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

	Three Months Ended December 31,	
	<u>2008</u>	<u>2007</u>
Consulting bonuses (a)	\$ (560)	\$ 2,596
Consulting fees and salaries expense (b)	505	510
Stock-based compensation expense (c)	2,223	2,938
Professional fees (d)	177	219
Shareholder relations, transfer agent and filing fees (e)	24	102
Travel, meals, and entertainment (f)	31	73
Rent and insurance expenses	122	127
Office and general	140	223
	\$ 2,662	\$ 6,788

- (a) Consulting bonuses decreased by \$3,156. The decrease in the annual bonus was due to realized net losses resulting in the reversal of \$560 which was accrued in the third quarter as compared to the same period last year. In the prior year period, the Company accrued an annual bonus (including applicable taxes) to the CEO of \$2,262 and paid other bonuses of \$334.
- (b) Consulting fees and salaries expense decreased by \$5 during the quarter. The decrease was primarily due to a reduction of staff in the current period.
- (c) Stock-based compensation expense decreased by \$715. The decrease in the current quarter was a result of the termination of stock options granted during prior periods which have not vested. Stock options granted during the current and prior year vest at three-month intervals over 18 months and are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of these options is estimated at the date of grant using the Black-Scholes option pricing model, and expensed over the vesting periods. Unvested terminated stock options are not expensed during the period.

- (d) Professional fees decreased by \$42 for the quarter as compared to the fourth quarter of 2007, primarily due to a reduction of legal fees for external counsel.
- (e) Shareholder relations, transfer agent and filing fees decreased by \$78 during the quarter. The decrease is primarily due to a decrease in public relations costs and press release costs (resulting from a reduced number of press releases issued, as compared to the prior year quarter).
- (f) Travel, meals, and entertainment decreased by \$42 in the quarter, due primarily to a decrease in travel activities under taken during the period.

Transaction costs decreased 94.6% to \$43 from \$803, due to a decrease in the volume of trading conducted by the Company and a decrease in the commission rate charged by the Company's brokers. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments. The Company continually evaluates its commission structure with its brokers to minimize its transaction costs.

Interest expense decreased by 47.2% to \$459 in the three months ended December 31, 2008 as compared to \$869 in the same period last year. Interest expense decreased due to a decline in the use of margin for purchases of investments, a decrease in rates charged by the Company's brokers and a general decrease in interest rates. The Company's existing debt level is substantially below the average debt level throughout 2008. Assuming that the Company's debt level remains constant through 2009, interest expense is expected to decline from the total during 2008. The decline, though attributable to lower debt levels, will be partly offset by the higher rate of interest payable on the Company's new credit facility with the CEO than the average rate of interest paid on margin borrowings in 2008. See "Liabilities" elsewhere in this MD&A for a description of the facility.

The Company recorded a recovery of income taxes in the three months ended December 31, 2008 of \$13,897 as compared to \$25 in the three months ended December 31, 2007. The recovery of income taxes in the current period was primarily due to a future income tax asset ("FTA") arising from an increase in the excess of tax cost over fair value on investments held at the end of the period and from the tax effect of non-capital losses carried forward. The recovery of income taxes in the current period was also due to an accrual of income tax receivable from expected tax losses carried back to prior years. In view of current market conditions, there is uncertainty as to whether the Company will be able to use its non-capital loss carryforwards. As such, the Company has taken a valuation allowance equal to 50% of the FTA.

Net loss for the three months ended December 31, 2008 was \$93,564 (\$0.71 per share) versus net loss for the three months ended December 31, 2007 of \$2,214 (\$0.02 per share). The net loss in the current period was primarily due to the write-down to fair value of the Company's investments in accordance with Pinetree's accounting policies.

Years Ended December 31, 2008 and 2007:

For the twelve months ended December 31, 2008, the Company generated net realized losses on disposal of investments of \$4,607 as compared to a net realized gain on disposal of investments of \$190,838 for 2007.

The Company had net unrealized losses on investments of \$417,934 for the year ended December 31, 2008 as compared to net unrealized losses on investments of \$288,369 for 2007. Of the net unrealized losses for the year ended December 31, 2008, \$425,219 arose from the net write-down to market on the Company's investments and \$7,285 from the reversal of previously recognized net unrealized losses on the disposal of investments. Of the total write-down to market of the Company's investments during the current period, \$36,552 (8.7% of total unrealized losses) was related to the write-down of the Company's private investments to reflect similar declines in public company valuations (see "Investments" and "Critical Accounting Estimates"). 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.

For the year ended December 31, 2008, the Company had a loss from its equity accounted investments (which increased from one investment to three during the year) of \$6,234 as compared to income from its equity accounted investment of \$5,548 in the prior year.

During the year ended December 31, 2008, other revenue totalled \$1,049 as compared to \$2,856 last year. Other revenue is comprised of \$590 (2007 - \$594) from consulting fees and rental income and \$459 (2007 - \$2,262) of interest income earned on certain of the Company's investments and interest on tax refunds. In the prior year, the Company had dividend income of \$2,053 received from one of its portfolio companies; no dividend income was received during the 2008 fiscal year.

Operating, general and administrative expenses in the year ended December 31, 2008 decreased to \$15,858 from \$33,400 in the year ended December 31, 2007. The decrease of \$17,542 resulted primarily from an annual bonus accrual (including GST) to the CEO of \$21,306 in the prior year as compared to nil in the current year. The Company also paid other bonuses of \$965 in 2007 as compared to nil in the current year. Also, included in operating, general and administrative expenses is \$11,375 (2007 - \$6,141) in stock-based compensation expense. Excluding the bonuses and stock-based compensation expense, operating, general and administrative expenses during the year ended December 31, 2008 decreased by 10.1% to \$4,483 from \$4,988, as described further below.

Following is a breakdown of operating, general and administrative expenses for the indicated years ended December 31. Details of the annual differences follow the table:

	Years Ended December 31,	
	2008	2007
Consulting bonuses (a)	\$ -	\$ 22,271
Consulting fees and salaries expense (b)	2,073	1,810
Stock-based compensation expense (c)	11,375	6,141
Professional fees (d)	504	784
Shareholder relations, transfer agent and filing fees (e)	319	567
Travel, meals, and entertainment (f)	215	409
Rent and insurance expenses	493	493
Office and general	879	925
	\$ 15,858	\$ 33,400

- (a) Annual bonus to the Company's CEO (as described above) decreased by \$21,306 in 2008. The decrease in the annual bonus was due to the decrease in the Company's realized net income in the year as compared to last year. In 2007, the Company also paid bonuses (including GST) of \$965 to certain officers of the Company. No such bonuses were paid in 2008.
- (b) Consulting fees and salaries expense increased by \$263 during the year. The increase was primarily due to an overall increase in consulting and salaries fees.
- (c) Stock-based compensation expense increased by \$5,234 over the prior year as a result of a greater number of stock options granted during the current and previous year.
- (d) Professional fees decreased by \$280, primarily due to a reduction in fees for external legal counsel.
- (e) Shareholder relations, transfer agent and filing fees decreased by \$248 during the year. The decrease is primarily due to a decrease in public relations costs, marketing and the cost of press release filings from a reduced number of press releases filed as compared to the prior year period.
- (f) Travel, meals, and entertainment decreased by \$194, due to a decrease in travel activities undertaken during the year.

Transaction costs decreased 76.8% to \$1,249 from \$5,374 due to a decrease in the volume of trading conducted by the Company and a decrease in the commission rate charged by the Company's brokers. Transaction costs arise from the purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments.

During the year ended December 31, 2008, the Company experienced an unrealized foreign exchange loss of \$191 on its foreign denominated net liabilities as compared to an unrealized foreign exchange gain of \$776 last year. The net loss in the current period primarily arose due to the decrease in the value of the Canadian dollar versus the U.S. dollar and the Australian dollar, which increased the Canadian dollar equivalent of the foreign dollar amounts due to brokers which were partially repaid during the year, resulting in a foreign exchange loss.

Interest expense decreased to \$3,559 in the year ended December 31, 2008 as compared to \$6,753 last year, due to an overall decrease in the Company's use of margin for purchases of investments, a decrease in rates charged by the Company's brokers and a general decline in interest rates.

The Company recorded a recovery of income taxes in the year ended December 31, 2008 of \$92,690 as compared to a recovery of income taxes of \$42,368 in the year ended December 31, 2007. The recovery of income taxes in the current year was primarily due to FTA arising from an increase in the excess of tax cost over fair value on the Company's investments held at the end of the year. The Company has recorded a valuation allowance equal to 50% of the FTA, resulting in a valuation allowance of \$43,754 against the full value of the FTA of \$87,508. See "Critical Accounting Estimates" section elsewhere in this MD&A. The recovery of income taxes in the current year was also due to an accrual of income tax receivable from expected tax losses carried back to prior years and FTA from expected tax losses carried forward.

Net loss for the year ended December 31, 2008 was \$356,048 (\$2.92 per share) versus net loss for the year ended December 31, 2007 of \$91,605 (\$0.94 per share). The net loss in the current year was primarily attributable to unrealized losses recognized as a result of the write-down to fair value of the Company's investments in accordance with Pinetree's accounting policies.

Cash Flow: Three Months Ended December 31, 2008 and 2007

Net cash used in operating activities was \$1,665 in the three months ended December 31, 2008, compared to net cash used in operating activities of \$12,406 in the same period last year, a decrease of \$10,741.

During the three months ended December 31, 2008, the Company generated cash in financing activities of \$3,710 as compared to \$90,249 in the same period of 2007. During the current period, the Company received \$4,565 in advances from an officer (the Company's CEO) and repaid \$1,637 due to brokers. During the same period last year, 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. There were no financings during the fourth quarter of 2008. Current capital market conditions and the Company's depressed stock price will make it difficult, if not impossible, and perhaps undesirable, to raise further equity capital.

Net cash generated in investing activities was \$2,111 in the three months ended December 31, 2008 as compared to \$77,817 in the same period last year. During the current period, the Company had proceeds from its disposition of investments of \$5,412, a decrease of \$80,977, when compared to \$86,389 of dispositions in the same period last year. The Company purchased \$7,521 of investments, a decrease of \$148,893 as compared to \$156,414 of investment purchases in the three months ended December 31, 2007.

For the three months ended December 31, 2008, the Company had a net decrease in cash and cash equivalents of \$66 as compared to a net increase of \$26 during the three months ended

December 31, 2007, leaving a cash and cash equivalents balance of \$28 as compared to a cash and cash equivalents balance of \$66 as at December 31, 2007.

Cash Flow:
Years Ended December 31, 2008 and 2007

Net cash used in operating activities was \$15,050 in the year ended December 31, 2008, as compared to net cash used in operating activities of \$60,436 last year, an improvement of \$45,386.

During the year ended December 31, 2008, the Company used cash in financing activities of \$30,188 as compared to generating cash of \$211,933 in 2007. During the year, cash used was primarily to repay \$86,551 due to brokers and \$9,378 of advances from an affiliated company. During the year, the Company had net proceeds of \$40,888 from a brokered private placement financing and received \$24,234 as advances from an officer. During the same period last year, the Company had net proceeds of \$182,546 from brokered private placement financings and received \$8,404 from the exercise of stock options and warrants. The Company also used an additional \$29,030 from margin accounts and repaid a promissory note of \$19,271 in the prior year period.

Net cash generated in investing activities was \$45,200 in the year ended December 31, 2008 as compared to cash used of \$151,606 last year. During the year, the Company had proceeds from its disposition of investments of \$221,209, a decrease of \$518,986, when compared to \$740,195 of dispositions last year. The Company purchased \$185,680 of investments, a decrease of \$705,715 as compared to \$891,395 of investment purchases in the year ended December 31, 2007. During the year, the Company received a dividend of \$11,728 (2007 - \$7,925) from one of its equity accounted investments.

For the year ended December 31, 2008, the Company had a net decrease in cash and cash equivalents of \$38 as compared to a net decrease of \$109 during the year ended December 31, 2007, leaving a cash and cash equivalents balance of \$28 as compared to a cash and cash equivalents balance of \$66 as at December 31, 2007.

Liquidity and Capital Resources:

Pinetree relies upon various sources of funds for its ongoing operational and investing activities. These sources include proceeds from dispositions of investments, interest and dividend income from investments, capital raising activities such as private placement financings, and corporate borrowings from the Company's bank, brokers (margin account) and related parties.

During the later half of 2008, Pinetree reduced its reliance on margin borrowing as part of its ongoing capital management (see "Management of Capital" for details of the Company's approach to managing its capital resources) and replaced an existing demand credit line provided by the CEO with a committed credit facility (see "Liabilities" elsewhere in this MD&A). This adjustment is intended to increase the predictability and stability of the Company's funding means and requirements during the 2009 year. Amounts drawn down under the facility are due on December 15, 2009 and management will consider the optimal means of repayment (and

replacement and/ or renewal of the facility) during the course of the year in view of then-existing circumstances and opportunities.

Pinetree believes it will be able to generate sufficient cash to fund its operations through normal course sales of existing investments (although, in view of current market conditions, dispositions may result in realized losses) and from existing credit facilities. In view of the expected continued volatility in the capital markets and foreseen downturn in overall economic conditions, it is uncertain whether equity financings will present an effective means of capital raising in the upcoming months.

Consolidated Balance Sheet Highlights	December 31, 2008	December 31, 2007
Investments, at fair value	\$ 133,969	\$ 592,039
Equity accounted investments	3,567	19,555
Total assets	201,398	620,179
Total liabilities	27,188	143,252
Share capital, warrants and broker warrants and contributed surplus	357,783	304,452
Retained earnings (deficit)	(183,573)	172,475
Net asset value per share – Basic	\$ 1.33	\$ 4.20
Net asset value per share – Diluted	\$ 1.09	\$ 3.61

Equity accounted investments together with the fair value of the Company's portfolio decreased to \$137,536 from \$611,594 as at December 31, 2007, a decrease of 77.4%. The net asset value per share (basic) decreased 68.3% to \$1.33 from \$4.20 as at December 31, 2007. (See "Use of Non-GAAP Measures" elsewhere in this MD&A.)

The Company's publicly-traded investments are listed on various stock exchanges (or quotation systems), including those in Canada, the United States, Australia, and England, thereby offering potential sources of liquidity and cash flow for Pinetree. During the year ended December 31, 2008, the Company disposed of investments for proceeds of \$221,209, and purchased investments totalling \$185,680, as noted above in the Cash Flow sections. The excess of proceeds from dispositions over costs of investments acquired was primarily used to repay funds borrowed as part of the Company's ongoing activities.

As at December 31, 2008, the Company has recorded an income tax receivable of \$18,985 (December 31, 2007 – \$7,442) related to estimated tax losses in the current year which will be carried back to recover prior years' taxes paid.

The Company had cash operating expenses in the current year of approximately \$9,300, of which \$4,800 was attributable to transaction costs and interest expense. Both of these expenses will likely decrease in 2009 as the overall number of transactions (trades) is expected to decline from last year's trading activity and average outstanding debt for the year is expected to remain at a level below that of 2008. Other cash costs are relatively fixed and are not expected to fluctuate significantly from 2008 levels.

Liabilities:

As at December 31, 2008, total current liabilities decreased to \$26,929 as compared to \$109,817 as at December 31, 2007, a 75.5% decrease. The decrease was primarily from a reduction in due to brokers, the repayment of advances from an affiliated company, the payment of income taxes payable, and the payment of the CEO's bonus accrued for the year ended December 31, 2007. These reductions and payments were offset by an increase in advances from officer of \$24,234.

- (a) As at December 31, 2008, the Company had accrued future income tax liabilities of \$259 as compared to \$33,435 as at December 31, 2007. The future income tax liability is primarily attributable to applying the expected tax rate for future periods (33% to 29%) to the excess of fair value over tax cost on certain investments held at December 31, 2008. This amount was less at December 31, 2008 than as at December 31, 2007 which resulted in the decreased accrued future income tax liability.
- (b) The Company has an operating line of credit with Royal Bank of Canada ("RBC") for up to \$1,000, collateralized by the Company's assets, which it uses from time to time. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand. As at December 31, 2008, the Company had utilized \$953 (December 31, 2007 - \$674) of the operating line.
- (c) As at December 31, 2008, the Company had used margin (due to brokers) of \$50 as compared to \$86,601 as at December 31, 2007, a decrease of \$86,551. 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 equal to the broker's overnight rate plus a percentage ranging from 0.15% to 1.25%, depending on the amount of margin used.
- (d) From time to time, the CEO advances funds to Pinetree. On December 15, 2008, the Company entered into a \$25,000 credit facility (the "Credit Facility") with the CEO. The Credit Facility is secured under a General Security Agreement (the "GSA"), which covers all present and future tangible and intangible property of the Company subject to any security interests ranking in priority thereto, which would include the security interests underlying the Company's operating line of credit with RBC and in favour of the Company's brokers in respect to its margin borrowings. The Credit Facility matures on December 15, 2009, bears interest at a rate of 1% per month on the outstanding principal amount and has a standby fee of 0.25% per annum on the undrawn portion of the Credit Facility calculated daily and payable monthly in arrears. Prior to the establishment of the Credit Facility, the advances from officer were unsecured, due on demand, and bore interest at 8% per annum.

During the year ended December 31, 2008, the CEO advanced a maximum of \$44,753 (2007 - \$76,938) to the Company, and included in the consolidated statements of operations is \$1,133 (2007 - \$430) of interest expense relating to these advances. As at December 31, 2008, the Company had used \$24,234 of the Credit Facility.

- (e) As at December 31, 2008, the Company had advances of \$1,250 (December 31, 2007 - \$10,628) from PowerOne Capital Markets Limited ("PowerOne"). These advances were unsecured and interest free. The Company owns a 50% interest in PowerOne, an Ontario limited market dealer.

Commitments:

As at December 31, 2008, the Company had material commitments for cash resources of \$30,286 which are detailed below (and all of which, other than advances from officer, are due on demand). The disposition of the Company's investments in the normal course would be sufficient to pay these material commitments. The Company also can use the Credit Facility from the CEO. A schedule of liabilities and obligations is as follows as at December 31, 2008:

Liabilities and Obligations	Payments Due by Period				
	Total	Less than 1 year	1 – 3 year	4 – 5 years	After 5 years
Due to brokers	\$ 50	\$ 50	\$ -	\$ -	\$ -
Bank indebtedness	953	953	-	-	-
Accounts payable and accrued liabilities	442	442	-	-	-
Advances from officer	24,234	24,234	-	-	-
Advances from affiliated company	1,250	1,250	-	-	-
Lease commitments	3,357	650	2,026	681	-
	\$ 30,286	\$ 27,579	\$ 2,026	\$ 681	\$ -

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 \$69 per month that automatically renew annually.

Related Party Transactions:

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

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

Type of Service	Nature of Relationship	2008	2007
Consulting fees (a)	Director, shareholders, and officers	\$ 978	\$ 803
Consulting bonuses (b)	Director, shareholders, and officers	-	22,271
Director fees	Directors	113	32
Interest expense	Affiliated companies	-	710
Interest expense (c)	Director, shareholder, and officer	1,133	430
Other income (d)	Affiliated companies	590	594
Dividend income (e)	Affiliated company	11,728	7,925
Realized losses on disposal of investments (f)	Affiliated companies	21,437	-

- (a) Consulting agreements are with the CEO 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 (i) 10% of the realized pre-tax profit of the Company, excluding distributions made from Powerone, the limited market dealer in which the Company has a 50% ownership; and (ii) 10% of Powerone's net realized pre-tax profit, excluding distributions made by Powerone to the Company. Included in operating, general and administrative expenses (including GST) is nil (2007 - \$21,306) relating to this bonus. Other bonuses of \$965 were also paid to officers of the Company in 2007.
- (c) From time to time, the CEO advances funds to Pinetree. As at December 31, 2008, the Company had used \$24,234 of the Credit Facility.
- (d) Other income relates to consulting, sublease, and services agreements of approximately \$590 (2007 - \$594) 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.
- (e) During the year ended December 31, 2008, the Company received dividend income of \$11,728 (2007 - \$7,925) from PowerOne.
- (f) During the year ended December 31, 2008, the Company sold certain of its investments at market prices to Mega Uranium Ltd. ("Mega"), a reporting issuer trading on the TSX under the symbol "MGA". The Company has an equity investment in Mega, which also shares a common director and certain common officers with Pinetree. Total proceeds on the sales were \$12,816 and the Company recognized an aggregate realized loss on the sales of \$15,195.

During the year ended December 31, 2008, the Company sold certain of its investments at market prices to Brownstone Ventures Inc. ("Brownstone"), a reporting issuer trading on the TSX Venture Exchange under the symbol "BWN". The Company has an equity investment in Brownstone, which also shares certain common directors and officers with Pinetree. Total proceeds on the sales were \$25,134 and the Company recognized an aggregate realized loss on the sales of \$6,242.

- (g) During the year ended December 31, 2008, the Company granted 1,425,000 options to officers and directors of the Company, exercisable at prices between \$2.82 and \$3.14 per share and expiring between April 10, 2013 and June 16, 2013.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures

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

Under the supervision of and with the participation of management, including the CEO and CFO, we have evaluated the design of the Company's DC&P as at December 31, 2008 and have concluded that the DC&P were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

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

Internal Controls Over Financial Reporting

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

The design and operating effectiveness of the Company's ICFR were evaluated by Pinetree's management in accordance with criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and NI 52-109, as at December 31, 2008. Under the supervision of and with the participation of management, including the CEO and CFO, the Company has evaluated the ICFR as at December 31, 2008. The Company's management has not identified in their review any weaknesses that has materially affected or is reasonably likely to materially affect Pinetree's ICFR. Based on this evaluation, the Company's management has concluded that the Company's

ICFR were effective in providing reasonable assurance that its financial reporting is reliable and its consolidated financial statements were prepared in accordance GAAP.

There were no changes in the Company's ICFR that, in the view of the Company's management, occurred during the three months ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

Management of capital:

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

	2008	2007
Due to brokers	\$ 50	\$ 86,601
Bank indebtedness	953	674
Advances from officer	24,234	-
Advances from affiliated company	1,250	10,628
Shareholders' equity comprised of		
Share capital	267,848	236,126
Warrants and broker warrants	72,268	61,891
Contributed surplus	17,667	6,435
Retained earnings (deficit)	(183,573)	172,475
	\$ 200,697	\$ 574,830

The Company's objectives when managing capital are:

- (a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- (c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments;
- (b) utilizing leverage in the form of margin (due to brokers) and the Company's bank credit line (bank indebtedness);
- (c) raising capital through equity financings; and

- (d) utilizing a Credit Facility from the CEO and borrowing funds in the form of advances from other related parties.

Due to recent economic and credit market conditions, the Company significantly reduced its use of margin borrowings (to almost zero at year end) to reduce the inherent risk associated with the use of margin. These borrowings were partly replaced with a \$25,000 Credit Facility provided by the CEO which is due on December 15, 2009. This arrangement provides the Company with a more stable and predictable form of debt obligation.

The Company is not subject to any capital requirements imposed by a regulator. When using margin for its investing activities, however, Pinetree is subject to the margin requirements applicable thereto, which can require, at any time and from time to time, that the Company provide additional funds to its brokers depending upon the then-value of its investments purchased on margin. During the year, the Company reduced its use of leverage in line with the reduction of the value of the Company's investments.

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its shares. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2008.

Financial instruments:

The investment operations of Pinetree's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit, and liquidity risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

- (a) Liquidity risk:

Liquidity risk is the risk that the Company will have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in lesser proceeds of disposition and losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. Pinetree invests significantly in securities of "junior" issuers, which can at times be relatively illiquid, and if the Company decides to dispose of securities of a particular issuer it may not be able to do so at the time at all or at favourable prices. Overall, the Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions, such that

absent overall market disruptions or extreme circumstances, liquidity risk can be minimized.

The Company uses varying levels of financial leverage (or "margin") when purchasing investments. Trading on margin allows the Company to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows the Company to increase its portfolio size by increasing the number and amount of investments through the use of leverage. However, if the market moves against the Company's positions and the Company's investments decline in value, the Company may be required to provide additional funds to its brokers, which could be substantial. Given the nature of the Company's business, the Company may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy the Company's obligations.

Furthermore, if the Company is unable to provide the necessary funds within the time required, the Company's marginable investments may be involuntarily liquidated at a loss by its brokers to meet the obligations (and the Company may still be required to make up any additional shortfall in funds thereafter). The Company has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Company's investments in order to meet margin calls could have a materially adverse impact on the Company's operating results.

The Company manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow. During the 2008 fiscal year, Pinetree reduced its reliance on margin borrowing. The Company holds investments which can be converted into cash when required.

As at December 31, 2008, the Company had used margin of \$50 and had additional margin available of \$1,148. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2008:

Percentage of Change in Closing Bid Prices	Margin Available From a % Increase in Closing Bid Price	Margin Available From a % Decrease in Closing Bid Price
2%	\$ 1,179	\$ 1,117
4%	1,209	1,086
6%	1,240	1,056
8%	1,271	1,025
10%	1,301	994

(b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market

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

The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the natural resource industry: uranium, oil and gas, molybdenum, precious metals, potash and rare earths, and base metals. The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required. During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the year ended December 31, 2008 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2008:

Percentage of Change in Closing Bid Prices	Change in Net After-tax Income (Loss) From % Increase in Closing Bid Price	Change in Net After-tax Income (Loss) From % Decrease in Closing Bid Price
2%	\$ 1,835	\$ (1,835)
4%	3,671	(3,671)
6%	5,506	(5,506)
8%	7,341	(7,341)
10%	9,177	(9,177)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. As at December 31, 2008, the Company had liabilities comprised of due to brokers (margin) and bank indebtedness (collectively "interest risk liabilities"), which bear interest at rates fluctuating with the prime rate or overnight lending rate. All of the interest risk liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. Pinetree does not hedge against any interest rate risks. The Company allocates its borrowings amongst these three sources with a view to reducing interest rate and liquidity risk.

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2008:

Change in Interest Rate	Change in Net After-tax Income (Loss) From an Increase in Interest Rate	Change in Net After-tax Income (Loss) From a Decrease in Interest Rate
0.25%	\$ (73)	\$ 73
0.50%	(147)	147
0.75%	(220)	220
1.00%	(294)	294

(d) Currency risk:

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time. The Company may have margin borrowings or financial instruments denominated in U.S. dollars, Australian dollars, South African rands, Hong Kong dollars, and British pounds.

A change in the exchange rate of the Canadian dollar versus another currency may increase or decrease the Company's obligations due to brokers and the value of its financial instruments. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency exposure, although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments.

The following assets and liabilities were denominated in foreign currencies as at December 31, 2008 and 2007:

	2008	2007
Denominated in U.S. dollars:		
Investments	\$ 6,102	\$ 39,827
Cash and cash equivalents	26	31
Due from brokers	53	2,737
Prepays and other receivables	92	-
Due to brokers	(6)	-
Accounts payable and accrued liabilities	(11)	(31)
Income taxes payable	-	(60)
Net assets denominated in U.S. dollars	6,256	42,504
Denominated in Australian dollars:		
Investments	4,365	13,140
Due to brokers	(61)	(506)
Net assets denominated in Australian dollars	4,304	12,634

	2008	2007
Denominated in British pounds: Investments	187	410
Denominated in South African rands: Investments	-	234
Denominated in Hong Kong dollars: Investments	-	10

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2008:

Percentage of Change in Foreign Currencies	Change in Net After-tax Income (Loss) From an Increase in % in the U.S dollar exchange rate	Change in Net After - Tax Income (Loss) From a Decrease in % in the U.S dollar exchange rate
2%	\$ 83	\$ (83)
4%	166	(166)
6%	250	(250)
8%	333	(333)
10%	416	(416)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2008:

Percentage of Change in Foreign Currencies	Change in Net After-tax Income (Loss) From an Increase in % in the Australian dollar exchange rate	Change in Net After - Tax Income (Loss) From a Decrease in % in the Australian dollar exchange rate
2%	\$ 57	\$ (57)
4%	114	(114)
6%	172	(172)
8%	229	(229)
10%	286	(286)

(e) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities (in connection with convertible or debt securities, for example) will not perform their underlying obligations.

The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. As at December 31, 2008, the total fair value of these investments was \$2,810. The Company believes it is not significantly exposed to credit risk as these investments comprise 2.1% of the Company's total investments.

(f) 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, due from/to brokers, bank indebtedness, accounts payable and accrued liabilities, advances from officer, and advances from affiliated company in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments and equity accounted investments are carried at amounts in accordance with the Company's accounting policies. See "Significant Accounting Policies".
- (iii) The Company does not have any other comprehensive income (loss) components and, as such, comprehensive income (loss) is equal to net income (loss).

The total amount of the change in fair value of the Company's financial instruments recognized in income for the 2008 year, and the total amount of unrecognized gains and losses on its financial instruments are discussed elsewhere in this MD&A, including under "Results of Operations". Assumptions made in determining the fair value of the Company's financial instruments are discussed elsewhere in this MD&A under "Significant Accounting Policies".

Risk Factors:

Pinetree's financial condition, results of operations and business are subject to certain risks which may negatively affect 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 affect and negatively impact our business.

Portfolio Exposure:

Given the nature of the Company's activities, its 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 affect the sectors in which Pinetree invests. The Company's investment activities are currently concentrated primarily in the natural resource industry, with a current focus on the uranium, oil and gas, base metals and precious metals sectors. There are various factors that could affect these sectors which could have a negative impact on Pinetree's portfolio companies and thereby have an adverse effect on our business. Additionally, Pinetree's investments are mostly in small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows but which may not

ever mature or generate the returns the Company expects or may require a number of years to do so. Junior exploration, biotechnology and technology companies may never achieve commercial discoveries and production. This may create an irregular pattern in the Company's revenues (if any). Additionally, macro factors such as fluctuations in commodity prices and global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, and a disproportionate effect on the sectors as compared to the overall market, thereby negatively impacting one or more of the portfolio companies concurrently. Company-specific risks, such as the risks associated with mining operations generally, could have an adverse effect on one or more of the Company's portfolio companies at any point in time. Company-specific and industry-specific risks which materially adversely affect Pinetree's portfolio investments may have a materially adverse impact on our operating results.

Cash Flows/Revenue:

Pinetree generates revenue and cash flows primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on the Company's investments. The availability of these sources of funds and the amount of funds generated from these sources are dependant upon various factors, most 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 lesser proceeds of disposition and capital losses for Pinetree upon disposition.

Private Issuers and Illiquid Securities:

Pinetree invests in securities of private issuers. Investments in private issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. These limitations may impair Pinetree's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of Pinetree's private company investments or that the Company will otherwise be able to realize a return on such investments. Pinetree also invests in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Company may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

Share Prices of Investments:

Pinetree's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the

subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the control of Pinetree, including quarterly variations in the subject companies' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments and significantly negatively impact upon the Company's operating results.

Concentration of Investments:

There are no restrictions on the proportion of Pinetree's funds and no limit on the amount of funds that may be allocated to any particular investment (subject to board approval for investments in excess of a pre-determined threshold), industry or sector. Accordingly, the Company's investment activities may be highly concentrated in a particular company (or a limited number of companies), business, industry or sector, as a consequence of which, the Company's financial results may be substantially adversely affected by the unfavourable performance of that single (or few) investment(s) or sector.

Dependence on Management:

Pinetree is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's continued success will depend upon the continued service of these individuals who are not obligated to remain employed with Pinetree. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm the Company's ability to maintain or grow existing assets and raise additional funds in the future.

Regulatory Investigations:

In December 2006, Pinetree was advised by staff of the Ontario Securities Commission that the Company and its CEO were the subjects of investigations involving manipulative trading and insider trading of securities of certain issuers in which the Company had portfolio investments. The Company received requests for information and co-operated with the Ontario Securities Commission in their investigations. While the Company and its CEO believe that it and he have acted appropriately, the Company is unable to determine the impact, if any, that these investigations may have on the Company, or on the financial position, or how or when the investigations will be concluded.

Additional Financing Requirements:

Pinetree anticipates ongoing requirements for funds to support the Company's growth and may seek to obtain additional funds for these purposes through public or private equity or debt financing. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any additional debt financing may result in increased

interest expense or restrictions on our operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investment portfolio.

Management of our Growth:

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

Exchange Rate Fluctuations:

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

Off-Balance Sheet Arrangements:

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

Outstanding Share Data:

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

As at March 5, 2009, 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	131,313,988
Issuable under options	6,182,208
Issuable under warrants	20,513,650
Issuable under broker warrants	2,029,021
Total diluted common shares	160,038,867

Refer to note 10 of the Notes to the consolidated financial statements as at and for the years months ended December 31, 2008 for details of the Company's share capital.

Normal Course Issuer Bid:

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

Pinetree did not purchase any common shares of the Company during the year ended December 31, 2008. The NCIB expired on September 25, 2008.

Segmented Information:

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

Changes in Accounting Policies:

Since December 31, 2007, there have been no changes to Pinetree's accounting policies, except for the following policies which the Company has adopted or expects to adopt:

- (a) Effective January 1, 2008, the Company adopted prospectively the following new Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") accounting standards for interim and annual financial statements for fiscal years beginning on or after October 31, 2007:
 - (i) CICA Handbook 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, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. See "Management of Capital".
 - (ii) CICA Handbook Section 3862, Financial Instruments – Disclosures, which 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. See "Financial Instruments".
 - (iii) CICA Handbook Section 3863, Financial Instruments – Presentation, which 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.

- (b) The CICA issued a new accounting standard, Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, as a result, start-up costs must be expensed as incurred. Section 1000, Financial Statement Concepts, was also amended to provide consistency with the new standard. These new standards are effective for years beginning on or after October 1, 2008. The Company is currently assessing the impact of these standards on its consolidated financial statements.
- (c) On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to start using International Financial Reporting Standards ("IFRS") in place of Canadian GAAP. Pinetree will adopt IFRS commencing January 1, 2011, with comparatives for the year commencing January 1, 2010. The Company has initiated an IFRS transition project. At this point, it is too early to comment on the anticipated financial impact to the consolidated balance sheet and ongoing results of operation resulting from the transition to IFRS.

Significant Accounting Policies:

Details of all of Pinetree's accounting policies can be found in note 2 of the Notes to the audited consolidated financial statements as at and for the years ended December 31, 2008 and 2007. The following are some of the Company's significant accounting policies:

1. Investments:

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

- (i) Publicly-traded investments (i.e., securities of issuers that are public companies):
 - 1. Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values 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, and zero.

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

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

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

The following circumstances are used to determine if the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to the events described below which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. Absent the occurrence of any of these events or any significant change in general market conditions, the fair value of the investment is left unchanged.

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

1. There has been a significant subsequent equity financing provided by outside investors, at a valuation above the current 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 expands their resource prospects; and
- v. important, positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

In the circumstances described above under (i) through (v), and in the circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

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

1. There has been a significant subsequent equity financing provided by outside investors, at a valuation below the current 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; and
- iv. changes to the management of the investee company take place which the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders."

In the circumstances described above under (i) through (iv), and in the circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed. In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

(iii) Equity accounted investments:

Investments in companies which the CompanyPinetree has significant influence over, 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.

2. Revenue recognition:

Securities transactions are recorded on a settlement date basis. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of operations and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statements of operations as incurred. Income or losses from an equity accounted investment are reflected in the consolidated

statements of operations at the end of each reporting period. Dividend income is recorded on the ex-dividend date. Dividends received from equity accounted investments are recorded as a reduction of the carrying value of the equity accounted investment. Interest income and other income are recorded on an accrual basis. Deferred revenue is recognized over the period for which the revenue is earned.

3. Foreign currency translation:

The Company's subsidiaries are considered to be integrated operations. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates. All revenue and expenses denominated in foreign currencies are translated at rates of exchange prevailing at the transaction dates. Gains or losses resulting from translation are included in the determination of net income (loss) for the period. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction.

4. 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 consolidated 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 and laws expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

5. Stock-based compensation plans:

The Company has stock-based compensation plans which are described in note 10(d) of the Notes to the audited consolidated financial statements as at and for the years ended December 31, 2008 and 2007. 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.

6. Earnings (loss) per common share:

Basic earnings (loss) per common share has been determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow. Diluted earnings (loss) per common share has been calculated in accordance with the treasury stock method and was based on the weighted average number of common shares and dilutive common share equivalents outstanding.

Critical Accounting Estimates:

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the Company's consolidated financial statements include the Company's valuation of its privately-held investments, the valuation allowance related to the Company's future income tax asset ("FTA"), the Company's estimate of inputs for the calculation of the value of stock-based compensation expense and unlisted warrants of public companies.

Valuation of Privately-held Investments:

The Company values its privately-held investments (being securities of issuers that are not public) as described in "Accounting Policy For Valuing Investments" elsewhere in this MD&A. The valuation of privately-held investments ("private investments") requires management to assess the current financial status and prospects of private investments based upon potentially incomplete or unaudited financial information provided by the investee company, on management's general knowledge of the private investment's activities, and on any political or economic events that may impact upon the private investment specifically. In addition to any events or circumstances that may affect the fair value of a particular private investment, management can consider general market conditions that may affect the fair value of either a particular private investment or of a group, segment or complete portfolio of private investments. For the year ending December 31, 2008, in addition to any fair value revisions for individual private investments, management felt that the fair value of the Company's overall portfolio of private investments should be reduced by 75%, or \$36,552, to reflect the [average] overall declines in the value of public companies operating in the same sectors as the companies which comprise our portfolio of private investments. This had the effect of increasing the net unrealized losses in the year by \$36,552.

Allowance for Future Income Tax Assets:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company recorded a recovery of income taxes in the year ended December 31, 2008 of \$92,690. The recovery of income taxes in the current year was primarily due to the FTA arising from an increase in the excess of tax cost over fair value on the Company's investments held at the end of the year. This took place due to a significant decline in the fair value of the Company's investment portfolio as a result of continuing declines in stock market valuations. The full value of the FTA, based on the tax benefit that would arise from the application of the Company's non-capital loss carryforwards and other FTAs, is \$87,508. However, management determined, based upon the Company's historical level of taxable income and expectations for future taxable income, that it believes that it is more likely than not that the Company will realize the tax benefits of only a portion of the non-capital loss carryforwards during the next several years. As such, the

Company has recorded a valuation allowance equal to 50% of the FTA, resulting in a valuation allowance of \$43,754. The recovery of income taxes in the current period was also due to an accrual of income tax receivable from expected tax losses carried back to prior years and the FTA related to expected tax losses carried forward.

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 longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The following table summarizes stock options granted during the year ended December 31, 2008:

Date Granted	Options Granted	Exercise Price	Expiry
April 11, 2008	1,472,500	\$ 3.14	April 10, 2013
June 17, 2008	50,000	2.82	June 16, 2013
Total granted	1,522,500		

The fair value of the options granted during the year ended December 31, 2008 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	95.6 – 97.6%
Expected dividend yield	0.0%
Risk-free interest rate	3.25%
Expected option life in years	3.5
Fair value per stock option granted on April 11, 2008	\$ 2.04
Fair value per stock option granted on June 17, 2008	\$ 1.86

The expected volatility used is significantly higher than that used in the prior year, which reflects the change in the Company's stock trading patterns and prices as compared to the prior year.

Unlisted Warrants of Public Companies:

The Company uses the Black-Scholes option pricing model to calculate the fair value of unlisted warrants of public companies if there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants are valued at intrinsic value. 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 longer expected life of the warrant or a higher volatility number used would result in an increase in fair value of the warrant. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

Use of Non-GAAP Measures:

This MD&A contains references to "net asset value per share" (basic and diluted) ("NAV") which is a non-GAAP measure. NAV (basic) is calculated as total shareholders' equity divided by the total number of common shares of the Company outstanding. NAV (diluted) is calculated as total shareholders' equity divided by the total number of common shares of the Company outstanding, calculated based upon the assumption that all outstanding options, warrants, and broker warrants of the Company have been exercised. The term net asset value per share does not have any standardized meaning according to GAAP and therefore may not be comparable to similar measures presented by other companies. The Company has calculated NAV consistently for many years and believes that the measure provides information useful to the Company's shareholders in understanding its performance, facilitates the comparison of the quarterly and year-end results of the Company's ongoing operations and provides a meaningful measure to evaluate the Company's business relative to that of its peers.

Additional Information:

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