



Management's Discussion and Analysis

For the Quarter Ended: September 30, 2012

Date of Report: November 9, 2012

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Pinetree Capital Ltd. ("Pinetree" or the "Company") should be read in conjunction with Pinetree's unaudited interim condensed consolidated financial statements ("interim consolidated statements") and notes thereto as at and for the three and nine months ended September 30, 2012 and the annual consolidated financial statements as at and for the year ended December 31, 2011. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2011.

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

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

Caution Regarding Forward-Looking Information:

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities, our ability to utilize our deferred tax assets, 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 and our ability to generate taxable income from operations, market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located, and other risks included elsewhere in this MD&A under the headings "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 under Pinetree's profile at www.sedar.com.

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

About Pinetree:

Pinetree is a diversified investment and merchant banking firm focused on the small-cap market. Pinetree's investments are primarily in the following resource sectors: Precious Metals, Base Metals, Oil and Gas, Potash, Lithium and Rare Earths, Uranium and Coal. Pinetree's investment approach is to develop a macro view of a sector, build a position consistent with the view by identifying micro-cap opportunities within that sector, and devise an exit strategy designed to maximize the Company's relative return in light of changing fundamentals and opportunities.

The Company's common shares and certain of its other securities are listed on the Toronto Stock Exchange (the "TSX").

Overall Performance:

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

Operating Results	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net realized gains (losses) on disposal of investments	\$ (23,176)	\$ 22,583	\$ (27,557)	\$ 112,272
Net change in unrealized gains (losses) on investments	49,506	(176,621)	(61,645)	(441,243)
Net investment gains (losses)	26,330	(154,038)	(89,202)	(328,971)
Net profit (loss) for the period	22,899	(136,394)	(97,744)	(292,250)
Earnings (loss) per common share— basic and diluted	0.17	(1.00)	(0.72)	(2.14)

For the three months ended September 30, 2012, the Company had a net profit of \$22,899 (\$0.17 per basic share) as compared to a net loss of \$136,394 (\$1.00 per basic share) for the three months ended September 30, 2011. In the current period, the net profit was primarily attributable to the net change in unrealized gains on investments of \$49,506 as compared to a net change in unrealized losses on investments of \$176,621 in the prior year period.

For the nine months ended September 30, 2012, the Company had a net loss of \$97,744 (\$0.72 per basic share) as compared to \$292,250 (\$2.14 per basic share) for the nine months ended September 30, 2011. In the current period, the net loss was primarily attributable to the net change in unrealized losses on investments of \$61,645 as compared to \$441,243 in the prior year period.

As at September 30, 2012, the Company held investments at fair value totalling \$322,994 as compared to \$427,669 as at December 31, 2011 (a 24.5% decrease), a decrease primarily attributable to the net proceeds on disposal of investments and net investment losses.

As at September 30, 2012, net asset value per share ("NAV per share") was \$1.91 as compared to \$2.61 as at December 31, 2011, a 26.8% decrease (See "Use of Non-GAAP Financial Measures" elsewhere in this MD&A).

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

	NAV per share*
September 30, 2012	\$ 1.91
June 30, 2012	1.74
March 31, 2012	2.58
December 31, 2011	2.61
September 30, 2011	2.64
June 30, 2011	3.63
March 31, 2011	4.66
December 31, 2010	4.74

*See "Use of Non-GAAP Financial Measures".

Investments:

Investments at cost and fair value consist of the following as at September 30, 2012 and December 31, 2011:

Sectors:	September 30, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Resources:				
Precious metals	\$ 307,611	\$ 185,780	\$ 309,378	\$ 233,771
Base metals	131,580	40,646	149,180	61,050
Potash, lithium and rare earths	54,684	29,941	52,479	38,840
Oil and gas	76,853	28,855	73,923	43,125
Uranium	84,777	23,236	113,142	28,272
Coal	8,407	3,111	5,927	5,320
Technology and other	39,841	11,425	42,740	17,291
Total investments	\$ 703,753	\$ 322,994	\$ 746,769	\$ 427,669

The following is the number of investments in each sector as at September 30, 2012 and December 31, 2011:

Resources:	September 30, 2012		December 31, 2011	
		<u>% of Total</u>		<u>% of Total</u>
Precious metals	183	45.4	200	46.1
Base metals	89	22.1	93	21.4
Oil and gas	40	9.9	46	10.6
Uranium	27	6.7	28	6.5
Potash, lithium and rare earths	24	6.0	26	6.0
Coal	7	1.7	7	1.6
Technology and other	33	8.2	34	7.8
	403	100.0	434	100.0

Overall, the total number of investments held by the Company and the percentage of investments held by sector remained relatively constant as compared to the last year-end.

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

As at September 30, 2012, included in total investments were securities of private companies with a fair value totalling \$25,386 (7.9% of total fair value of the Company's investments; cost of \$33,004). As at December 31, 2011, included in total investments were securities of private companies with a fair value totalling \$29,076 (6.8% of total fair value of the Company's investments; cost of \$32,996). The cost of the private companies declined due to the investment being sold by Pinetree or the private company being listed on a stock exchange. The fair value was determined in accordance with the Company's accounting policy for private

company investments. The amounts at which the Company's private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments.

A detailed list of Pinetree's investments as at September 30, 2012 can be found on Pinetree's website at www.pinetreetrecapital.com.

Results of Operations:

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

	Quarter ended (unaudited)			
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Net investment gains (losses)	\$ 26,330	\$ (114,885)	\$ (647)	\$ (1,947)
Net profit (loss) for the period	22,899	(115,822)	(4,821)	(6,091)
Total comprehensive income (loss) for the period	22,878	(115,816)	(4,821)	(6,082)
Earnings (loss) per share based on net profit (loss) for the period – basic and diluted	0.17	(0.85)	(0.04)	(0.04)
	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Net investment gains (losses)	\$ (154,038)	\$ (162,139)	\$ (12,794)	\$ 294,416
Net profit (loss) for the period	(136,394)	(144,656)	(11,200)	231,654
Total comprehensive income (loss) for the period	(136,392)	(144,654)	(11,213)	231,633
Earnings (loss) per share based on net profit (loss) for the period – basic	(1.00)	(1.06)	(0.08)	1.70
Earnings (loss) per share based on net profit (loss) for the period – diluted	(1.00)	(1.06)	(0.08)	1.67

Three Months Ended September 30, 2012 and 2011:

For the three months ended September 30, 2012, the Company generated net realized losses on disposal of investments of \$23,176, as compared to generating net realized gains on disposal of investments of \$22,583 for the three months ended September 30, 2011.

For the three months ended September 30, 2012, the Company had a net change in unrealized gains on investments of \$49,506 as compared to a net change in unrealized losses on investments of \$176,621 for the three months ended September 30, 2011. Net change in unrealized gains for the three months ended September 30, 2012, was comprised of \$28,211 from the write-up to market on the Company's investments and by \$21,295 from the reversal of previously recognized net unrealized losses on the disposal of investments. Of the net unrealized losses for the three months ended September 30, 2011, \$154,804 was from the write-down to market on the Company's investments and \$21,817 from the reversal of

previously recognized net unrealized gains on the disposal of investments during the three months ended September 30, 2011.

For the three months ended September 30, 2012, other income totalled \$530 as compared to \$713 for the three months ended September 30, 2011. Other income is comprised of interest and dividend income of \$334 (three months ended September 30, 2011 - \$10) and \$146 (three months ended September 30, 2011 – \$247) from consulting fees, rental income, and other fees and \$50 from securities lending revenue (three months ended September 30, 2011 - \$456).

Operating, general and administrative expenses for the three months ended September 30, 2012 decreased to \$2,840 from \$2,925 for the three months ended September 30, 2011. Following is the breakdown of operating, general and administrative expenses for the indicated three month periods ended September 30. Details of the changes between periods follow the table:

	2012	2011
Exploration and evaluation expenditures (a)	\$ 726	-
Salaries, bonuses, and other employment benefits	604	612
Stock-based compensation expense (b)	410	\$ 1,160
Professional fees (c)	185	35
Other office and general	180	100
Transaction costs (d)	169	307
Consulting and directors' fees	166	266
Operating lease payments	137	100
Transfer agent, filing fees, and other information systems	113	214
Amortization	70	57
Travel and promotion	44	108
Foreign exchange loss	36	12
Change in fair value of Class C preferred shares	-	(46)
	\$ 2,840	\$ 2,925

- (a) In June 2010, the Company, through a consortium, was awarded an offshore petroleum license in Israel (the "Samuel License"). Pinetree has a 10% interest in the Samuel License. During the three months ended September 30, 2012, the Company expensed \$726 relating to the expenditures on the property.
- (b) Stock-based compensation expense decreased by \$750 as compared to the three months ended September 30, 2011. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. The decrease in the current period resulted from a fewer number of stock options granted.
- (c) Professional fees increased by \$150 as compared to the three months ended September 30, 2011, as a result of out of the ordinary course legal fees incurred in connection with one of the Company's investments.
- (d) Transaction costs decreased by \$138 as compared to the three months ended September 30, 2011, due to a decrease in the volume of trading conducted by the Company. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for

investments. The Company evaluates its commission structure with its brokers on an on-going basis to minimize its transaction costs.

Finance expense decreased to \$1,909 in the three months ended September 30, 2012 as compared to \$1,999 in the three months ended September 30, 2011. The decrease was primarily attributable to a decrease in interest expense on margin borrowings.

The Company recorded an income tax benefit in the three months ended September 30, 2012 of \$788 as compared to \$21,855 in the three months ended September 30, 2011. The income tax benefit in the current period was a result of a decrease in the accrual of income tax payable while in the prior year period it was primarily due to an increase in the excess of tax cost over fair value of investments held at the end of the period.

Net profit for the three months ended September 30, 2012 was \$22,899 (\$0.17 per share) as compared to a net loss of \$136,394 (\$1.00 per share) for the three months ended September 30, 2011.

For the three months ended September 30, 2012, the Company had an exchange loss on translation of foreign operations of \$21 as compared to an exchange gain of \$2 for the three months ended September 30, 2011. As a result, total comprehensive income for the three months ended September 30, 2012 was \$22,878 as compared to total comprehensive loss of \$136,392 for the three months ended September 30, 2011.

Nine Months Ended September 30, 2012 and 2011:

For the nine months ended September 30, 2012, the Company generated net realized losses on disposal of investments of \$27,557, as compared to generating net realized gains on disposal of investments of \$112,272 for the nine months ended September 30, 2011.

For the nine months ended September 30, 2012, the Company had a net change in unrealized losses on investments of \$61,645 as compared to \$441,243 for the nine months ended September 30, 2011. Net change in unrealized losses for the nine months ended September 30, 2012, was comprised of \$94,759 from the write-down to market on the Company's investments offset by \$33,114 from the reversal of previously recognized net unrealized losses on the disposal of investments. Of the net unrealized losses for the nine months ended September 30, 2011, \$323,633 was from the write-down to market on the Company's investments and \$117,610 from the reversal of previously recognized net unrealized gains on the disposal of investments during the nine months ended September 30, 2011.

For the nine months ended September 30, 2012, other income totalled \$1,199 as compared to \$1,516 for the nine months ended September 30, 2011. Other income is comprised of interest and dividend income of \$503 (nine months ended September 30, 2011 - \$119) and \$442 (nine months ended September 30, 2011 - \$457) from consulting fees, rental income, and other fees and \$254 from securities lending revenue (nine months ended September 30, 2011 - \$940).

Operating, general and administrative expenses for the nine months ended September 30, 2012 decreased to \$9,756 from \$10,281 for the nine months ended September 30, 2011. Following is

the breakdown of operating, general and administrative expenses for the indicated nine month periods ended September 30. Details of the changes between periods follow the table:

	2012	2011
Stock-based compensation expense (a)	\$ 2,195	\$ 3,265
Salaries, bonuses, and other employment benefits (b)	1,986	1,781
Transaction costs (c)	1,241	1,750
Exploration and evaluation expenditures (d)	1,182	661
Other office and general	684	827
Consulting and directors' fees	639	589
Transfer agent, filing fees, and other information systems	566	596
Operating lease payments	377	338
Professional fees	354	338
Travel and promotion	278	358
Amortization	198	167
Foreign exchange loss (gain) (e)	56	(161)
Change in fair value of Class C preferred shares	-	(228)
	\$ 9,756	\$ 10,281

- (a) Stock-based compensation expense decreased by \$1,070 as compared to the nine months ended September 30, 2011. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. The decrease in the current period resulted from fewer number of stock options granted.
- (b) Salaries, bonuses, and other employment benefits increased by \$205 as compared to the nine months ended September 30, 2011. The increase was primarily attributable to termination costs associated with two departing individuals.
- (c) Transaction costs decreased by \$509 as compared to the nine months ended September 30, 2011, due to a decrease in the volume of trading conducted by the Company. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments. The Company evaluates its commission structure with its brokers on an on-going basis to minimize its transaction costs.
- (d) In June 2010, the Company, through a consortium, was awarded an offshore petroleum license in Israel (the "Samuel License"). Pinetree has a 10% interest in the Samuel License. During the nine months ended September 30, 2012, the Company expensed \$1,182 relating to the expenditures on the property, an increase of \$521 as compared to the nine months ended September 30, 2011.
- (e) Foreign exchange loss increased by \$217 on foreign denominated net assets as compared to the nine months ended September 30, 2011. The net foreign exchange loss for the current period arose due to the increase in the value of the Canadian dollar versus the U.S. and Australian dollar, which decreased the Canadian dollar equivalent value of the Company's foreign currency denominated assets.

Finance expense increased to \$5,694 in the nine months ended September 30, 2012 as compared to \$3,314 in the nine months ended September 30, 2011. The increase was primarily attributable to \$5,503 of interest expense and amortized finance costs in respect of the \$75,000 principal amount of 8% convertible unsecured subordinated debentures ("Debentures") which were issued by Pinetree in May 2011, as compared to \$2,700 for the nine months ended September 30, 2011.

The Company recorded an income tax benefit in the nine months ended September 30, 2012 of \$5,709 as compared to \$48,800 in the nine months ended September 30, 2011. The income tax benefit in both periods was primarily due to an increase in the excess of tax cost over fair value of investments held at the end of the respective period.

Net loss for the nine months ended September 30, 2012 was \$97,744 (\$0.72 per share) as compared to \$292,250 (\$2.14 per share) for the nine months ended September 30, 2011.

For the nine months ended September 30, 2012, the Company had an exchange loss on translation of foreign operations of \$15 as compared to \$9 for the nine months ended September 30, 2011. As a result, total comprehensive loss for the nine months ended September 30, 2012 was \$97,759 as compared to \$292,259 for the nine months ended September 30, 2011.

Cash Flow:

Net cash used in operating activities was \$9,620 in the nine months ended September 30, 2012 as compared to \$38,211 in the nine months ended September 30, 2011.

In the nine months ended September 30, 2012, the Company used cash in financing activities totaling \$5,594 as compared to \$17,130 in the nine months ended September 30, 2011. In the nine months ended September 30, 2012, the Company repaid \$5,593 in margin borrowings from brokers. In the nine months ended September 30, 2011, the Company received net proceeds of \$70,912 from the issue of the Debentures and received proceeds of \$231 from the exercise of stock options offset by the repayment of \$88,215 in margin borrowings from brokers and payment of \$58 upon the retraction by certain holders of Class C preferred shares.

In the nine months ended September 30, 2012, net cash generated in investing activities was \$15,297 as compared to \$55,398 in the nine months ended September 30, 2011. During the nine months ended September 30, 2012, the Company had proceeds from disposition of investments of \$123,072, a decrease of \$144,488, when compared to \$267,560 of proceeds from dispositions in the nine months ended September 30, 2011. In the nine months ended September 30, 2012, the Company purchased \$107,599 of investments, a decrease of \$104,230 as compared to \$211,829 of investment purchases in the nine months ended September 30, 2011. In the nine months ended September 30, 2012, the Company also purchased additional property, plant and equipment of \$176 as compared to \$333 in the nine months ended September 30, 2011.

For the nine months ended September 30, 2012, the Company had a net increase in cash and cash equivalents of \$83 as compared to \$57 for the nine months ended September 30, 2011.

For the nine months ended September 30, 2012, the Company also had a loss from the exchange difference on the translation of foreign operations of \$15 as compared to \$9 for the nine months ended September 30, 2011. As at September 30, 2012, the Company had a cash and cash equivalents balance of \$270 as compared to \$206 as at September 30, 2011.

Liquidity and Capital Resources:

Pinetree relies upon various sources of funds for its ongoing operating and investing activities. These sources include proceeds from dispositions of investments, interest and dividend income from investments, consulting fees, capital raising activities such as private placement debt and equity financings, and corporate borrowings from the Company's bank, brokers (margin account) and the Company's Chairman and Chief Executive Officer ("CEO").

The Company's publicly-traded investments are listed on various stock exchanges (or quotation systems), including those in Canada, the United States, Australia, Israel, and England, thereby offering potential sources of liquidity and cash flow for Pinetree.

Pinetree has a \$25,000 credit facility (the "Credit Facility") provided by the CEO. The Company allocates its borrowings between the Credit Facility and available margin from brokers, depending upon market conditions and other factors. The Credit Facility matures on December 31, 2012, 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. 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 Royal Bank of Canada ("RBC") and the Company's brokers in respect to its margin borrowings. As at September 30, 2012 and December 31, 2011, there was nil outstanding under the Credit Facility.

The Company has \$75,000 principal amount of Debentures outstanding, which matures on May 31, 2016. The Debentures bear interest at a rate of 8% per annum, payable semi-annually, and are convertible, at the option of the holders, into common shares of the Company on the basis of a conversion price of \$4.25 per share ("Conversion Price"), subject to adjustment under certain circumstances. The Debentures are subject to certain covenants, including maintenance of certain financial ratios and restrictions on redemption. As at September 30, 2012 and the date of this MD&A, the Company was in compliance with the terms of the Debentures.

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

Consolidated Statements of financial position Highlights	September 30, 2012	December 31, 2011
Investments at fair value	\$ 322,994	\$ 427,669
Total assets	347,193	443,619
Total liabilities	87,169	87,987
Share capital, warrants and broker warrants, contributed surplus, equity component of convertible debentures and foreign currency translation reserve	383,057	380,921
Deficit	(123,033)	(25,289)
NAV per share – Basic	\$ 1.91	\$ 2.61
NAV per share – Diluted	\$ 1.44	\$ 1.89

Liabilities:

As at September 30, 2012, total liabilities decreased to \$87,169 as compared to \$87,987 as at December 31, 2011, a 0.9% decrease primarily due to a decrease in due to brokers (margin owing) offset by an increase in income taxes payable of \$2,630.

As at September 30, 2012, the Company had due to brokers of \$13,185 as compared to \$18,778 as at December 31, 2011, a decrease of \$5,593. Due to brokers consists of margin borrowings collateralized by the Company's investments held at brokers. In the normal course of business, the Company utilizes the margin borrowings to finance its investment activities. Interest is charged on the daily outstanding balance at a rate equal to the broker's overnight rate plus 0.40%.

As at September 30, 2012, the Company had recorded an income tax payable of \$2,630 (nil as at December 31, 2011). The income tax payable recorded as at September 30, 2012 may differ from the actual amount due for the year ended December 31, 2012 when the Company files its tax returns.

As at September 30, 2012, the Company has a carrying value of \$68,851 in Debentures (\$75,000 principal amount). As at September 30, 2012, included in accounts payable and accrued liabilities was \$2,000 of accrued interest in respect of the Debentures. The next interest payment in respect of the Debentures is due on November 30, 2012.

Commitments:

As at September 30, 2012 the Company had material commitments for cash resources of \$123,962 (December 31, 2011 - \$130,391) which are detailed below. The disposition of the Company's investments in the normal course would be sufficient to pay these material commitments.

A breakdown of the Company's liabilities and obligations as at September 30, 2012 is as follows:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 13,185	\$ 13,185	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	2,263	2,263	-	-	-
Investment commitments	1,910	1,910	-	-	-
Class C preferred share liabilities	240	240	-	-	-
Income taxes payable	2,630	2,630	-	-	-
Debentures (principal amount)	75,000	-	75,000	-	-
Interest on Debentures	22,000	5,996	16,004	-	-
Lease commitments	6,734	590	1,180	1,184	3,780
	\$ 123,962	\$ 26,814	\$ 92,184	\$ 1,184	\$ 3,780

A breakdown of the Company's liabilities and obligations as at December 31, 2011 is as follows:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 18,778	\$ 18,778	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	1,129	1,129	-	-	-
Investment commitments	1,017	1,017	-	-	-
Class C preferred share liabilities	241	241	-	-	-
Debentures (principal amount)	75,000	-	-	75,000	-
Interest on Debentures	27,001	6,510	18,000	2,491	-
Lease commitments	7,225	590	1,770	1,187	3,678
	\$ 130,391	\$ 28,265	\$ 19,770	\$ 78,678	\$ 3,678

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

The Debentures bear interest at a rate of 8% per annum, payable semi-annually in May and November. If there are no redemptions or conversions of the Debentures (or purchases by the Company under its normal course issuer bid for the Debentures), the Company will be required to pay \$6,000 annually in interest expense to the holders until maturity in May 2016.

During the year ended December 31, 2011, the Company renewed its lease commitment for its premises starting August 1, 2011 for annual payments of approximately \$583 (\$49 monthly) until July 31, 2017 and approximately \$613 (\$51 monthly) until December 31, 2023. The

Company also has consulting agreements with officers and a director representing fees payable of approximately \$38 per month.

The Company has committed and is required to meet all cash calls, as they become due, for the exploration and evaluation of the Israeli oil and gas property (the Samuel License) in which it has a 10% interest, in order to maintain the interest. These expenditure obligations are not fixed and cannot be pre-determined with certainty. Failure to meet the obligations may result in the loss or reduction of the Company's ownership interest in the Samuel License.

Related Party Transactions:

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

(a) Related party transactions were as follows during the nine months ended September 30:

Type of service	Nature of relationship	2012	2011
Salaries, consulting fees and other benefits	Officers	\$ 1,128	\$ 1,162
Director fees	Directors	100	114
Stock-based compensation expense	Directors and officers	1,576	2,560
Finance expense	Officer	47	63

(b) During the nine months ended September 30, 2012, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 30, 2012	100,000	\$ 1.38	March 29, 2017
May 31, 2012	250,000	0.88	May 30, 2017
August 31, 2012	400,000	0.90	August 30, 2017
Total granted	750,000		

(c) As at September 30, 2012, included in accounts payable and accrued liabilities is \$25 (December 31, 2011 - \$4) due to related parties.

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.

Internal Controls Over Financial Reporting:

There was no change in the Company's internal controls over financial reporting ("ICFR") that occurred during the three months ended September 30, 2012 and which materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Financial Instruments:

The Company's financial instruments primarily consist of investments, refer to the "Investments" section of this MD&A.

The Company had entered into a security lending agreement ("SLA") in Canada where securities in the portfolio are lent to regulated, locally-domiciled counterparties and governed by agreements written under Canadian law. The Company receives collateral in order to reduce the credit risk of these arrangements. Collateral must be in a readily realizable form, such as listed securities, and is held in segregated accounts. Transfer of title always occurs for collateral received, although no market risk or economic benefit is taken. The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Company's risk exposure. The Company's appointed security lending managers obtain legal ownership of the collateral received and can sell it outright in the absence of default.

The details of the security lending arranging positions are as follows:

	September 30, 2012	December 31, 2011
Investments at fair value lent under SLA – carrying amount	\$ 1,895	\$ 5,860
Fair value of collateral held for investments lent under SLA	2,449	5,901

Risk Management:

The investment operations of Pinetree's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets and liabilities are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including liquidity, market, interest rate, currency, and credit risks.

There were no significant or material changes to the Company's risk management during the three months ended September 30, 2012.

Risk Factors:

The Company's investing activities are, by their nature, subject to a number of inherent risks, including liquidity, market, interest rate, currency and credit risks associated with financial instruments, and certain other risks that are described in our annual information form for our most recently completed financial year, all of which can have, and have had over recent reporting periods, a significant impact on the Company's financial condition and results of operations. Stock market volatility has resulted in and may continue to result in increased market risk and losses within our investment portfolio.

The Company's risks are described in its annual MD&A for the year ended December 31, 2011 which can be found on SEDAR (www.sedar.com). Additional risks not currently known to the Company or that are currently believe to be immaterial, may also affect and negatively impact the Company's business.

Outstanding Share Data:

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

As at November 9, 2012, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Pinetree are as follows:

Common shares	Number
Outstanding	136,447,273
Issuable under options	11,074,400
Issuable under warrants	8,638,650
Issuable under conversion of Debentures	17,647,059
Total diluted common shares	173,807,382

Additional information about the Company's share capital can be found in note 5 of the Notes to the interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2012.

The Company has a normal course issuer bid ("NCIB") in effect for its common shares and Debentures. During the nine months ended September 30, 2012, no Debentures were purchased under the NCIB.

Segmented Information:

The management of the Company is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis.

The Company has a single reportable geographic segment, Canada, and all of the Company's property, plant and equipment are located in Canada, except for its exploration license in Israel.

Changes in Accounting Policies:

There were no changes to the Company's accounting policies since December 31, 2011. Details of the Company's significant accounting policies can be found in Note 3 to the Company's annual consolidated financial statements as at and for the year ended December 31, 2011.

Critical Accounting Estimates:

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Critical accounting estimates used in the preparation of the Company's consolidated financial statements are the fair value of its investments in securities not quoted in an active market (its privately-held investments), the write-down related to the Company's deferred tax asset ("DTA"), the Company's estimate of inputs for the calculation of the value of stock-based compensation expense, the effective interest rate of convertible debentures, the valuation of unlisted warrants of public companies, and the fair value of the Company's own warrants and broker warrants.

Fair value of investment in securities not quoted in an active market:

The valuation of privately-held investments ("private investments") requires management to assess the current financial status and prospects of private investments based upon potentially incomplete or unaudited financial information provided by the investee company, on management's general knowledge of the private investment's activities, and on any political, economic or other events that may impact upon the private investment specifically, and to attempt to quantify the impact of such events on the fair value of the investment. In addition to any events or circumstances that may affect the fair value of a particular private investment, management can consider general market conditions that may affect the fair value of either a particular private investment or a group, segment or complete portfolio of private investments.

Changes in the fair value of our private investments for company-specific reasons have tended to be infrequent. Changes as a result of general market conditions may be more frequent from period to period during times of significant volatility; however, given the relatively small size of our private investment portfolio, such changes are not expected to have a material impact on our financial condition or operating results.

Write-down of Deferred Tax Assets:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. As at September 30, 2012, management determined, based upon the Company's historical level of taxable income and expectations for future taxable income that it believed that it was probable that the Company will realize a portion of the tax benefits of the temporary tax deductible differences during the next several years. As such, the Company has recorded deferred tax assets of \$23,047 as at September 30, 2012 (2011- \$14,753). The full deferred tax asset was \$32,464 (2011 - \$14,753).

Stock-based Compensation Expense/Warrants and Broker Warrants:

The Company uses the Black-Scholes option pricing model ("B-S") to calculate stock-based compensation expense and the value of warrants and broker warrants issued as part of the Company's private placements. The B-S requires six key inputs to determine a value for an option, warrant or broker warrant: risk free interest rate, exercise price, market price at date of

issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense.

The following table summarizes stock options granted during the nine months ended September 30, 2012:

Date Granted	Options Granted	Exercise Price	Expiry
March 30, 2012	100,000	\$ 1.38	March 29, 2017
May 31, 2012	250,000	0.88	May 30, 2017
August 31, 2012	400,000	0.90	August 30, 2017
Total granted	750,000		

The fair value of the options granted during the nine months ended September 30, 2012 was estimated at the date of grant using the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility (i)	68.3%
Expected dividend yield	0.0%
Risk-free interest rate	1.2%
Expected option life in years	3.1
Expected forfeiture rate	3.3%
Fair value per stock option granted on March 30, 2012	\$ 0.74
Fair value per stock option granted on May 31, 2012	\$ 0.41
Fair value per stock option granted on August 31, 2012	\$ 0.40

(i) Based on the historical volatility of Pinetree's share price.

Effective interest rate of convertible debentures

Convertible debentures are separated into their liability and equity components on the statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, discounted at the interest rate of non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method.

The fair value of the liability component at the time of issue of the Debentures was calculated as the discounted cash flows for the debentures assuming a 9.47% effective interest rate, which was the interest rate estimated by management for comparable debentures without the conversion feature. The effective interest rate used by management will affect the amount of the liability reported on the statement of financial position, in so far as a higher rate will result in a lower recorded liability. Additionally, a higher interest rate will result in a higher interest expense recorded in statement of comprehensive income (loss).

Valuation of Unlisted Warrants of Public Companies:

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

Use of Non-GAAP Financial Measures:

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

Additional Information:

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