



**PINETREE CAPITAL LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2017**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed consolidated interim financial statements of Pinetree Capital Ltd. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

# Pinetree Capital Ltd.

## Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

Unaudited

	As at March 31, 2017	As at December 31, 2016
<b>ASSETS</b>		
Cash and cash equivalents (note 4)	\$ 3,690	\$ 3,482
Due from brokers (note 4)	660	811
Investments at fair value (notes 3 and 6(c))	6,222	6,695
Prepays and other receivables	1	36
<b>Total assets</b>	<b>\$ 10,573</b>	<b>\$ 11,024</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5(a))	\$ 419	\$ 375
<b>Total liabilities</b>	<b>419</b>	<b>375</b>
<b>Equity</b>		
Share capital (note 7(a))	315,029	315,029
Warrants (note 7(e))	1,607	1,607
Contributed surplus (note 7(f))	106,568	106,561
Foreign currency translation reserve	(35)	(35)
Deficit	(413,015)	(412,513)
<b>Total equity</b>	<b>10,154</b>	<b>10,649</b>
<b>Total liabilities and equity</b>	<b>\$ 10,573</b>	<b>\$ 11,024</b>

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Nature of business (note 1)

**Approved on behalf of the Board:**

"Peter Tolnai", Director

"Howard Riback", Director



## Pinetree Capital Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss  
(In thousands of Canadian dollars, except for securities and per share amounts)  
Unaudited

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net investment losses		
Net realized losses on disposal of investments	\$ -	\$ (1,134)
Net change in unrealized (losses) gains on investments	(823)	680
	(823)	(454)
Other income (note 8)	595	169
	(228)	(285)
Expenses		
Operating, general and administrative (notes 6(a), 7(d) and 9)	274	1,019
Finance expenses (note 10)	-	178
	274	1,197
Net loss and comprehensive loss for the period	\$ (502)	\$ (1,482)
Loss per common share based on net loss for the period (note 7(g))		
Basic and diluted	\$ (0.11)	\$ (0.66)
Weighted average number of common shares outstanding (note 7(g)) Basic and diluted	4,522,599	2,240,029

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.



## Pinetree Capital Ltd.

### Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

Unaudited

	Three months ended March 31, 2017	Three months ended March 31, 2016
<b>Cash flows provided by operating activities</b>		
Net loss for the period	\$ (502)	\$ (1,482)
Items not affecting cash:		
Net realized losses on disposal of investments	-	1,134
Net change in unrealized gains on investments	823	(680)
Gain on redemption of convertible debentures	-	(152)
Gain on purchase of convertible debentures under normal course issuer bid	-	(1)
Stock-based compensation expense (note 7(d))	7	70
	<b>328</b>	<b>(1,111)</b>
Adjustments for:		
Proceeds on disposal of investments	-	5,648
Purchase of investments	(350)	(1,150)
Due from brokers	151	(1,317)
Prepays and other receivables	35	15
Accounts payable and accrued liabilities	44	(436)
<b>Net cash provided by operating activities</b>	<b>208</b>	<b>1,649</b>
<b>Cash flows used in financing activities</b>		
Purchase of convertible debentures under normal course issuer bid	-	(27)
Redemption of convertible debentures	-	(2,000)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(2,027)</b>
<b>Net increase (decrease) in cash and cash equivalents for the period</b>	<b>208</b>	<b>(378)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>3,482</b>	<b>2,336</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,690</b>	<b>\$ 1,958</b>
<b>Supplemental cash flow information</b>		
Shares issued for redemption of convertible debentures	\$ -	\$ 848

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.



## Pinetree Capital Ltd.

### Condensed Consolidated Interim Statements of Changes in Equity

(In thousands of Canadian dollars, except for number of shares)

Unaudited

	Number of shares	Share capital	Warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Deficit	Total equity
<b>Balance, December 31, 2015</b>	<b>2,019,280</b>	<b>\$ 306,103</b>	<b>\$ 1,607</b>	<b>\$ 106,395</b>	<b>\$ 2,838</b>	<b>\$ (35)</b>	<b>\$ (397,406)</b>	<b>\$ 19,502</b>
Net loss for the period	-	-	-	-	-	-	(1,482)	(1,482)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,482)	(1,482)
Shares issued from redemption of convertible debentures	242,014	848	-	-	-	-	-	848
Stock-based compensation expense	-	-	-	70	-	-	-	70
<b>Balance, March 31, 2016</b>	<b>2,261,294</b>	<b>\$ 306,951</b>	<b>\$ 1,607</b>	<b>\$ 106,465</b>	<b>\$ 2,838</b>	<b>\$ (35)</b>	<b>\$ (398,888)</b>	<b>\$ 18,938</b>
<b>Balance, December 31, 2016</b>	<b>4,522,599</b>	<b>\$ 315,029</b>	<b>\$ 1,607</b>	<b>\$ 106,561</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ (412,513)</b>	<b>\$ 10,649</b>
Net loss for the period	-	-	-	-	-	-	(502)	(502)
Total comprehensive loss for the period	-	-	-	-	-	-	(502)	(502)
Stock-based compensation expense	-	-	-	7	-	-	-	7
<b>Balance, March 31, 2017</b>	<b>4,522,599</b>	<b>\$ 315,029</b>	<b>\$ 1,607</b>	<b>\$ 106,568</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ (413,015)</b>	<b>\$ 10,154</b>

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.



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# Pinetree Capital Ltd.

## Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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### 1. Nature of business

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated in 1962 under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". The Company is domiciled in the Province of Ontario, Canada and its registered office address is at Suite 1100, 34 King Street East, Toronto, ON, M5C 2X8.

Pinetree is an investment and merchant banking company with investments in technology and resource companies.

On July 20, 2016, the Company completed a share consolidation of its common shares of one (1) post-consolidation common share for every one hundred (100) pre-consolidation common shares (the "Share Consolidation"). The 1-100 Share Consolidation has been reflected in these unaudited condensed consolidated interim financial statements and all applicable references to the number of shares, warrants and stock options and their strike price and per share information has been adjusted.

These unaudited condensed consolidated interim financial statements were approved by the Company's board of directors on May 4, 2017.

### 2. Basis of preparation

#### a) Statement of compliance

These unaudited condensed consolidated interim statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards ("IFRS").

The same accounting policies and methods of computation were followed in the preparation of these unaudited condensed consolidated interim statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2016. Accordingly, these unaudited condensed consolidated interim statements for the three months ended March 31, 2017 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2016.

These unaudited condensed consolidated interim statements have been prepared using the historical cost convention except for some financial instruments that have been measured at fair value. All monetary references expressed in these notes are references to Canadian dollar amounts ("\$").



## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

### 3. Financial instruments hierarchy and investments at fair value

(a) Financial hierarchy:

Investments consist of the following as at March 31, 2017:

Investments	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Equities	\$ 64,027	\$ 3,414	\$ -	\$ 2,808	\$ 6,222
Warrants	200	-	-	-	-
Promissory notes and convertible debentures	1,131	-	-	-	-
<b>Total investments</b>	<b>\$ 65,358</b>	<b>\$ 3,414</b>	<b>\$ -</b>	<b>\$ 2,808</b>	<b>\$ 6,222</b>
Investments denominated in foreign currencies		\$ 465	\$ -	\$ 1,490	\$ 1,955
% of investments denominated in foreign currencies		14%	0%	53%	31%

Investments consist of the following as at December 31, 2016:

Investments	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Equities	\$ 63,676	\$ 3,812	\$ -	\$ 2,822	\$ 6,634
Warrants	200	-	61	-	61
Promissory notes and convertible debentures	1,131	-	-	-	-
<b>Total investments</b>	<b>\$ 65,007</b>	<b>\$ 3,812</b>	<b>\$ 61</b>	<b>\$ 2,822</b>	<b>\$ 6,695</b>
Investments denominated in foreign currencies		\$ 43	\$ -	\$ 1,504	\$ 1,547
% of investments denominated in foreign currencies		1%	0%	53%	23%

(i) As at March 31, 2017, included in total investments were securities of private companies with a fair value totaling \$2,808 (cost of \$28,399) (December 31, 2016 – fair value of \$2,822 (cost of \$28,399) measured in accordance with the Company's accounting policy for private company investments.



## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

### 3. Financial instruments hierarchy and investments at fair value (continued)

(a) Financial hierarchy (continued):

(ii) During the three months ended March 31, 2017, there were no transfers from Level 2 to Level 1. During the three months ended March 31, 2016, \$72 of the investments held in Level 2 as at December 31, 2015 were transferred to Level 1. The transfer out of level 2 to level 1 consists of restricted investments that became unrestricted during the period. There were no transfers from Level 1 to 2 during the three months ended March 31, 2017 and March 31, 2016.

(b) Level 3 hierarchy:

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

Investment at fair value	Opening balance at January 1	Purchases /loans	Proceeds	Net realized losses	Net unrealized losses	Ending balance
March 31, 2017	\$ 2,822	\$ -	\$ -	\$ -	\$ (14)	\$ 2,808
December 31, 2016	19,525	676	(6,808)	(2,980)	(7,591)	2,822

Transfers between levels of fair value hierarchy are deemed to have occurred at the date of event.

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

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

Valuation technique	March 31, 2017		December 31, 2016	
	Fair value	Unobservable inputs	Fair value	Unobservable inputs
Recent financing and strategic review	\$ 1,402	Transaction price and adjustments	\$ 1,415	Transaction price
Trends in comparable publicly traded companies and general market conditions and strategic review	1,406	Adjustment range (-80% to -12.5%)	1,407	Adjustment range (-80% to -12.5%)
Discounted cash flows		Discount rate		Discount rate
	\$ 2,808		\$ 2,822	





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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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### 3. Financial instruments hierarchy and investments at fair value (continued)

(b) Level 3 hierarchy (continued):

For these Level 3 investments, the inputs used can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- \$702 (December 31, 2016: +/- \$706) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

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

### 4. Financial assets other than investments at fair value

	As at March 31, 2017	As at December 31, 2016
Cash and cash equivalents	\$ 3,690	\$ 3,482
Due from brokers	\$ 660	\$ 811

All amounts above are classified as financial assets at amortized cost and are short-term in nature. Cash and cash equivalents consist of cash on hand.

### 5. Financial liabilities

	As at March 31, 2017	As at December 31, 2016
Accounts payable and accrued liabilities (a)	\$ 419	\$ 375

The carrying values of accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.



# Pinetree Capital Ltd.

## Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

### 5. Financial liabilities (continued)

(a) As at March 31, 2017, included in accounts payable and accrued liabilities are Class C preferred share liabilities of \$213 (December 31, 2016 - \$217). The Class C preferred shares ("Class C Shares") were issued in 2009 by Pinetree's wholly-owned subsidiary, PCIC, are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 8% per annum.

The Class C Shares' redemption and retraction prices are linked to the market price of the Company's common shares subject to a minimum redemption price of \$10 per share. As at March 31, 2017, the redemption price was \$10 per share and the retraction price in effect was \$0.10 per share (December 31, 2016 - \$0.13 per share). During the three months ended March 31, 2017, 400 Class C shares were cancelled by PCIC following their retraction by the holders at \$0.12 per share plus accrued and unpaid dividends. During the year ended December 31, 2016, no Class C Shares were cancelled. As at March 31, 2017, 21,300 Class C Shares (December 31, 2016 - 21,700 Class C Shares) were issued and outstanding.

(b) The following table summarizes the changes in the Debentures' liability and equity components during the periods ended:

<b>Principal</b>	
Opening principal balance, December 31, 2015	\$ 9,716
Redemptions and NCIB purchases of convertible debentures	(3,028)
Ending principal balance, March 31, 2016	\$ 6,688
<hr/>	
Opening and ending principal balance, December 31, 2016 and March 31, 2017	\$ -
<b>Liability</b>	
Opening liability balance, December 31, 2015	\$ 9,716
Redemptions and NCIB purchases of convertible debentures	(3,028)
Ending liability balance, March 31, 2016	\$ 6,688
<hr/>	
Opening and ending liability balance, December 31, 2016 and March 31, 2017	\$ -
<b>Equity component</b>	
Opening equity component balance, December 31, 2015	\$ 2,838
No transactions	-
Ending equity component balance, March 31, 2016	\$ 2,838
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Opening and ending equity component balance, December 31, 2016 and March 31, 2017	\$ -

As at March 31, 2017 and December 31, 2016, \$nil principal amount of the Debentures was outstanding.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 6. Related party transactions

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

(a) Related party transactions included in the consolidated statements of comprehensive loss were as follows during the years presented:

Type of service	Nature of relationship	Three months ended March 31, 2017	Three months ended March 31, 2016
Salaries, consulting fees and other benefits	Officers	\$ 38	\$ 157
Director fees (i)	Directors	9	36
Stock-based compensation expense	Directors and officers	-	28

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

(b) Stock options granted

No stock options were granted to directors or officers during the three months ended March 31, 2017 and 2016.

(c) Investments in associates

No amounts were included in the unaudited condensed consolidated interim statements of financial position for investments in associates as at March 31, 2017 or December 31, 2016.

The total amounts included in the consolidated statements of comprehensive loss for investments in associates are as follows:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net change in unrealized losses on investments	\$ -	\$ (691)

From time to time transactions occur between the Company and investee companies that are related parties to facilitate the reorganization or capitalization of the companies. These transactions are made on an arm's-length basis. No related party transactions were conducted with investee companies during the three months ended March 31, 2017 and 2016.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 7. Equity

(a) Authorized: unlimited number of common shares, no par value.

As at March 31, 2017, the Company had 4,522,599 (December 31, 2016 - 4,522,599) common shares issued and outstanding.

On January 8, 2016, the Company partially redeemed \$3,000 principal amount of its Debentures, \$2,000 of which (and all accrued interest) was paid in cash and \$1,000 of which was paid by the issuance of an aggregate of 242,014 Redemption Shares at a value of \$848 based on fair market value of \$3.50 per share on the date of issuance, resulting in a gain of \$152 which was recorded in other income (note 8).

The number of common shares issued under the redemption was based on a price per share of \$4.13, which was calculated in accordance with the terms of the Debentures as 95% of \$4.35, the volume weighted average trading price of Pinetree's common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date of redemption.

(b) Rights offering

On March 21, 2016, the Company offered rights to holders of its common shares at the close of business on the record date of March 23, 2016, on the basis of one right for each common share held. Each right entitles the holder to subscribe for one common share of Pinetree upon payment of the subscription price of \$2.5 per common share. The rights started trading on the TSX under the symbol PNP.RT from March 21, 2016 and until noon on April 22, 2016 and expired at 4:00 p.m. (Toronto time) on April 22, 2016 (the "Expiry Time"), after which time unexercised rights were void and of no value. Shareholders who fully exercised their rights were entitled to subscribe pro rata for additional common shares, if available as a result of unexercised rights prior to the Expiry Time.

On April 29, 2016, the Company's shareholders exercised 849,103 rights for 849,103 common shares of Pinetree under the rights offering with gross proceeds of \$2,121. In addition, in accordance with the terms of the rights offering, 2507492 Ontario Ltd. ("250 Ontario"), a company controlled by Peter Tolnai, purchased 1,412,202 common shares of Pinetree at the same subscription price of \$2.50 per common share for gross proceeds to Pinetree of \$3,531. In connection with the rights offering, Pinetree paid a standby fee of \$250 in cash to 250 Ontario. The Company incurred \$162 transaction costs in connection with the rights offering.

#### Special Shareholders' Meeting

At a Shareholder Meeting held on April 22, 2016, shareholders approved a 1-for-100 share consolidation and the waiver of the application of Pinetree's shareholder rights plan. On July 20, 2016, the Share Consolidation was completed and was reflected in these unaudited condensed consolidated interim financial statements.

(c) Stock options plan

The Company grants stock options to eligible directors, officers, employees, and consultants pursuant to its 2007 Stock Option Plan (the "2007 Plan"). Under the terms of the 2007 Plan, the number of common shares that may be issued pursuant to the exercise of options granted under or otherwise governed by the 2007 Plan may not exceed 10% of the number of common shares outstanding at the time of grant; however, the number of options that have been cancelled or expired unexercised (whether in full or in part) will once again be issuable under the 2007 Plan.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 7. Equity (continued)

##### (c) Stock options plan (continued)

The exercise price of an option granted under the 2007 Plan is determined by the Board of Directors but cannot be less than the closing price of the common shares on the TSX on the last day on which the common shares trade prior to the grant date of the option. The board of directors has the discretion to determine the term and vesting provisions (if any) of options granted under the 2007 Plan, provided that the option terms may not exceed 10 years. The Company has established a fixed schedule of option grant dates. Options may be granted on a quarterly basis, on four designated dates during each year. The 2007 Plan was not renewed at the 2016 Annual General Meeting and therefore no further options can be granted under the plan.

##### (d) Stock options

No stock options were granted during the three months ended March 31, 2017 or 2016.

A summary of the status of the Company's stock options as at March 31, 2017 and December 31, 2016 and changes during the periods then ended is presented below:

	Number of options	Weighted average exercise price per share
Balance, December 31, 2015	189,550	53.00
Options expired	(22,050)	238.20
Balance, December 31, 2016	167,500	\$ 37.32
Options expired	(1,000)	138.00
Balance, March 31, 2017	166,500	\$ 28.25

##### (e) Warrants

A summary of the status of the Company's warrants as at March 31, 2017 and December 31, 2016 and changes during the periods then ended is presented below:

	Number of warrants	Weighted average exercise price per share	Amount
Balance, December 31, 2015, December 31, 2016 and March 31, 2017 (i)	123,325	\$ 70.00	\$ 1,607

(i) Upon completion of the rights offering, the exercise price of the warrants was modified to \$70 for 1.07 common share for each warrant.



## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

#### 7. Equity (continued)

(f) Contributed surplus transactions for the respective periods are as follows:

	<b>Amount</b>
Balance, December 31, 2015	\$ 106,395
Stock-based compensation	166
Balance, December 31, 2016	106,561
Stock-based compensation	7
Balance, March 31, 2017	\$ 106,568

(g) Basic and diluted loss per common share based on net loss are as follows for the periods presented:

	<b>Three months ended March 31, 2017</b>	<b>Three months ended March 31, 2016</b>
<b>Numerator:</b>		
Net loss for the period	\$ (502)	\$ (1,482)
<b>Denominator:</b>		
Weighted average number of common shares outstanding - basic and diluted <sup>(i)</sup>	<b>4,522,599</b>	2,240,029
<b>Loss per common share based on net loss for the period:</b>		
Basic and diluted	\$ (0.11)	\$ (0.66)

<sup>(i)</sup> The determination of the weighted average number of common shares outstanding – diluted excludes 166,500 stock options and 123,325 warrant as they were anti-dilutive for the three months ended March 31, 2017 (three months ended March 31, 2016 - 181,250 stock options and 123,325 warrants).



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 7. Equity (continued)

(h) Maximum share dilution

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised as at March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
Common shares outstanding	4,522,599	4,522,599
Stock options outstanding to purchase common shares	166,500	167,500
Warrants to purchase common shares	123,325	123,325
Debentures convertible to common shares	-	-
Fully diluted common shares outstanding	4,812,424	4,813,424

#### 8. Other income

Other income comprises of the following for the periods presented:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Interest income	\$ 1	\$ 16
Other income (i)	594	-
Gain on purchase of convertible debentures under normal course issuer bid	-	1
Gain on redemption of convertible debentures	-	152
	\$ 595	\$ 169

(i) Other income of \$594 represents the fund received from the settlement agreement on a class action law suit with a company whose shares used to be in Pinetree's investment portfolio.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 9. Expense by nature

Included in operating, general and administrative expenses for the three months ended March 31, 2017 and 2016:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Transaction costs	\$ -	\$ 49
Salaries	-	76
Other office and general	75	251
Stock-based compensation expense	7	70
Operating lease payments	-	47
Consulting and directors' fees	51	302
Travel and other	1	10
Transfer agent, filing fees and other information systems	61	120
Professional fees	50	69
Other employee benefits	1	14
Foreign exchange loss	28	11
	<b>\$ 274</b>	<b>\$ 1,019</b>

#### 10. Finance expenses

Finance expenses comprises of the following for the three months ended March 31, 2017 and 2016:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Accretion of discount and interest expense on convertible debentures	\$ -	\$ 178





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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 11. Management of capital

The Company includes the following items in its managed capital as at the following dates:

	March 31, 2017	December 31, 2016
Equity comprises of:		
Share capital	\$ 315,029	\$ 315,029
Warrants	1,607	1,607
Contributed surplus	106,568	106,561
Foreign currency translation reserve	(35)	(35)
Deficit	(413,015)	(412,513)
	<b>\$ 10,154</b>	<b>\$ 10,649</b>

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The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets and liabilities. There were no changes to the Company's objectives in managing and maintaining capital during the three months ended March 31, 2017. The Company is not subject to any capital requirements imposed by a regulator.

The Company's objectives when managing capital are:

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

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; and
- (b) raising capital through equity financings.

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 common shares.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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## 12. Risk management

Financial instrument risks:

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

### (a) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due.

The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet financial obligations as they become due, as well as ensuring funds exist to support business strategies and operating growth.

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 favourable prices, or at all. In addition, 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.

There were no changes to the way that the Company manages liquidity risk since December 31, 2016. The Company's liquidity risk is limited to exposure to trade payables.

The following table shows the Company's contractual undiscounted cash flows which are payable under financial liabilities on the unaudited condensed consolidated interim statement of financial position as at March 31, 2017.

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Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 419	\$ 419	\$ -	\$ -	\$ -
	\$ 419	\$ 419	\$ -	\$ -	\$ -

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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 12. Risk management (continued)

##### (a) Liquidity risk (continued):

The following table shows the Company's contractual undiscounted cash flows, including expected interest payments, which are payable under financial liabilities on the consolidated statement of financial position as at December 31, 2016.

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Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 375	\$ 375	\$ -	\$ -	\$ -
	\$ 375	\$ 375	\$ -	\$ -	\$ -

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The following table shows the Company's source of liquidity by assets as at March 31, 2017:

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Assets	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	Non-liquid assets
Cash and cash equivalents	\$ 3,690	\$ 3,690	\$ -	\$ -	\$ -
Due from brokers	660	660	-	-	-
Investments at fair value	6,222	6,222	-	-	-
Prepays and other receivables	1	1	-	-	-
	\$ 10,573	\$ 10,573	\$ -	\$ -	\$ -

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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

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Unaudited

#### 12. Risk management (continued)

##### (a) Liquidity risk (continued):

The following table shows the Company's source of liquidity by assets as at December 31, 2016:

Assets	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	Non-liquid assets
Cash and cash equivalents	\$ 3,482	\$ 3,482	\$ -	\$ -	\$ -
Due from brokers	811	811	-	-	-
Investments at fair value	6,695	6,695	-	-	-
Prepays and other receivables	36	36	-	-	-
	\$ 11,024	\$ 11,024	\$ -	\$ -	\$ -

##### (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 IFRS 9, Financial Instruments ("IFRS 9") Pinetree is required to fair value its 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.

There were no changes to the way that the Company manages market risk since December 31, 2016. The Company manages market risk by having a portfolio that 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 junior resource industry, early stage technology sector and biotechnology sector.

The Company also has set a (cost) threshold on purchases of investments over which the approval of the board of directors is required. During periods of significantly 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.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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## 12. Risk management (continued)

### (b) Market risk (continued)

The following table shows the estimated sensitivity of the Company's after-tax loss for the three months ended March 31, 2017 from a change in the closing trade price of the Company's investments with all other variables held constant as at March 31, 2017:

Percentage of change in closing trade price	Decrease in loss from % increase in closing trade price	Increase in loss from % decrease in closing trade price
2%	\$ 96	\$ (96)
4%	193	(193)
6%	289	(289)
8%	386	(386)
10%	482	(482)

The following table shows the estimated sensitivity of the Company's after-tax profit for the three months ended March 31, 2016 from a change in the closing trade price of the Company's investments with all other variables held constant as at March 31, 2016:

Percentage of change in closing trade price	Decrease in loss from % increase in closing trade price	Increase in loss from % decrease in closing trade price
2%	\$ 247	\$ (247)
4%	495	(495)
6%	742	(742)
8%	989	(989)
10%	1,237	(1,237)

### (c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's profit and losses. As at March 31, 2017, the Company did not have any significant interest rate risk. There were no changes to the way that the Company manages interest rate risk since December 31, 2016. Pinetree does not hedge against any interest rate risk.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 12. Risk management (continued)

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time.

The Company may have financial instruments denominated in U.S. dollars, Australian dollars and British pounds. A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the Company's obligations due to brokers and increase or decrease the value of its financial instruments.

There were no changes to the way that the Company manages currency risk since December 31, 2016. The Company believes that it is exposed to foreign exchange risk (U.S. dollar) but does not actively hedge its foreign currency exposure although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments.

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

	March 31, 2017	December 31, 2016
Denominated in U.S. dollars:		
Investments	\$ 1,540	\$ 1,504
Cash and cash equivalents	2,978	3,012
Due from brokers	1	1
Accounts payable and accrued liabilities	-	(17)
Net assets denominated in U.S. dollars	\$ 4,519	\$ 4,500



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

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#### 12. Risk management (continued)

(d) Currency risk (continued):

The following table shows the estimated sensitivity of the Company's after-tax loss for the three months ended March 31, 2017 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at March 31, 2017:

Percentage of change in U.S. dollar	Decrease in loss from an increase in % in the U.S. dollar exchange rate	Increase in loss from a decrease in % in the U.S. dollar exchange rate
2%	\$ 90	\$ (90)
4%	181	(181)
6%	271	(271)
8%	362	(362)
10%	452	(452)

The following table shows the estimated sensitivity of the Company's after-tax loss for the three months ended March 31, 2016 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at March 31, 2016:

Percentage of change in U.S. dollar	Decrease in loss from an increase in % in the U.S. dollar exchange rate	Increase in loss from a decrease in % in the U.S. dollar exchange rate
2%	\$ 215	\$ (215)
4%	430	(430)
6%	644	(644)
8%	859	(859)
10%	1,074	(1,074)

(e) Credit risk:

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



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## **Pinetree Capital Ltd.**

### **Notes to Condensed Consolidated Interim Financial Statements**

**Three Months Ended March 31, 2017**

**(In thousands of Canadian dollars except for securities and per share amounts)**

**Unaudited**

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#### **12. Risk management (continued)**

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

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the operating results of the Company.

Subject to board approval for investments in excess of a pre-determined threshold, there are no restrictions on the proportion of Pinetree's funds and no limit on the amount of funds that may be allocated to any particular investment, industry or sector. Accordingly, the Company's investment activities may be highly concentrated in a limited number of investments or industry sectors and the Company's financial results may be substantially adversely affected by the unfavourable performance in those investments or industry sectors.

As at March 31, 2017, the Company's top five investments had a fair value of \$4,444 in the technology and resources sectors, representing 47% and 25% of the fair value of the Company's total portfolio, of which three are public companies and two are private companies. As at December 31, 2016, the Company's top five investments had a fair value of \$5,352 in the technology and resources sectors, representing 55%, and 25% of the fair value of the Company's total portfolio, of which three were public companies and two were private companies.

#### **13. Operating segment 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 equipment is located in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the three months ended March 31, 2017.





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# Pinetree Capital Ltd.

## Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2017

(In thousands of Canadian dollars except for securities and per share amounts)

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### 14. Future accounting changes

As at the date of authorization of these unaudited condensed consolidated interim financial statements, the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee has issued the following new and revised Standards and Interpretations that are not yet effective for the relevant reporting periods and the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the unaudited condensed consolidated interim financial statements of the Company. The Company intends to adopt below standard, if applicable, when the standard becomes effective:

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014, which replaced IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its unaudited condensed consolidated interim financial statements.

