



**PINETREE CAPITAL LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**(EXPRESSED IN CANADIAN DOLLARS)**

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## Independent Auditor's Report

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To the Shareholders of Pinetree Capital Ltd.:

### Opinion

We have audited the consolidated financial statements of Pinetree Capital Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

*MNP LLP*

Toronto, Ontario  
February 28, 2020

Chartered Professional Accountants  
Licensed Public Accountants

**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Financial Position**  
**As at December 31,**  
**(In thousands of Canadian dollars)**

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
Cash and cash equivalents	5	\$ 6,206	\$ 7,250
Due from brokers	5	1,845	76
Investments at fair value	4	10,105	8,969
Prepays and other receivables		52	61
Income taxes receivable		19	19
<b>Total assets</b>		<b>\$ 18,227</b>	<b>\$ 16,375</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	5, 13(c)	\$ 329	\$ 395
<b>Total liabilities</b>		<b>329</b>	<b>395</b>
<b>Equity</b>			
Share capital	8(a)	324,410	324,410
Contributed surplus		108,177	108,177
Deficit		(414,689)	(416,607)
<b>Total equity</b>		<b>17,898</b>	<b>15,980</b>
<b>Total liabilities and equity</b>		<b>\$ 18,227</b>	<b>\$ 16,375</b>
<b>Nature of business</b>	1		
<b>Commitment</b>	16		

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Peter Tolnai" Director

"Howard Riback" Director

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**PINETREE CAPITAL LTD.****Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)****Years Ended December 31,****(In thousands of Canadian dollars, except for securities and per share amounts)**

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	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Net investment gains (losses)	9	\$ 2,137	\$ (2,164)
Other income	9	352	275
		<u>2,489</u>	<u>(1,889)</u>
<b>Expenses</b>			
Operating, general and administrative	7, 10	563	454
Finance expenses	11	8	17
		<u>571</u>	<u>471</u>
<b>Net income (loss) for the year</b>		<b>1,918</b>	<b>(2,360)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		-	35
<b>Net income (loss) and comprehensive income (loss) for the year</b>		<b>\$ 1,918</b>	<b>\$ (2,325)</b>
<hr/>			
<b>Earnings (loss) per common share based on</b>			
<b>net income (loss) for the year</b>			
Basic and diluted		<u>\$ 0.21</u>	<u>\$ (0.26)</u>
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<b>Weighted average number of common shares outstanding</b>			
Basic and diluted		<b>9,045,198</b>	<b>9,045,198</b>

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See accompanying notes to the consolidated financial statements.

**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31,**  
**(In thousands of Canadian dollars)**

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>Cash flows used in operating activities</b>			
Net income (loss) for the year		\$ 1,918	\$ (2,360)
Items not affecting cash:			
Net investment losses (gains)		(2,137)	2,164
		<u>(219)</u>	<u>(196)</u>
Adjustments for:			
Proceeds on disposal of investments		7,031	2,344
Purchase of investments		(6,096)	(4,209)
Proceeds from return of capital		66	-
Decrease (increase) in due from brokers		(1,769)	1,821
Decrease (increase) in prepaids and other receivables		9	(39)
Increase in income taxes receivable		-	(19)
Increase (decrease) in accounts payable and accrued liabilities		(66)	3
		<u>(1,044)</u>	<u>(295)</u>
<b>Net cash used in operating activities</b>		<b>(1,044)</b>	<b>(295)</b>
<b>Net decrease in cash and cash equivalents, during the year</b>		<b>(1,044)</b>	<b>(295)</b>
<b>Exchange differences on translation of foreign operations</b>		<b>-</b>	<b>35</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>7,250</b>	<b>7,510</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 6,206</b>	<b>\$ 7,250</b>

Supplementary disclosure of cash flow information

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See accompanying notes to the consolidated financial statements.

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**PINETREE CAPITAL LTD.****Consolidated Statements of Changes in Equity****Years Ended December 31,****(In thousands of Canadian dollars, except for securities and per share amounts)**

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	Number of shares	Share capital	Contributed surplus	Foreign currency translation reserve	Deficit	Total equity
<b>Balance as at December 31, 2017</b>	9,045,198	\$ 324,410	\$ 108,177	\$ (35)	\$ (414,247)	\$ 18,305
Net loss for the year	-	-	-	-	(2,360)	(2,360)
Exchange differences on translation of foreign operations	-	-	-	35	-	35
<b>Balance as at December 31, 2018</b>	9,045,198	\$ 324,410	\$ 108,177	\$ -	\$ (416,607)	\$ 15,980
Net income for the year	-	-	-	-	<b>1,918</b>	<b>1,918</b>
<b>Balance as at December 31, 2019</b>	<b>9,045,198</b>	<b>\$ 324,410</b>	<b>\$ 108,177</b>	<b>\$ -</b>	<b>\$ (414,689)</b>	<b>\$ 17,898</b>

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See accompanying notes to the consolidated financial statements.

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**Pinetree Capital Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2019 and 2018**  
**(In thousands of Canadian dollars except for securities and per share amounts)**

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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 Unit 200, 1965 Queen Street East, Toronto, ON, M4L 1H9.

Pinetree is a value-oriented investment and merchant banking company focused on the technology sector.

These consolidated financial statements were approved by the Company’s board of directors on February 28, 2020.

**2. Basis of preparation**

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these consolidated financial statements are presented below.

(b) Basis of consolidation

These consolidated financial statements include the accounts of Pinetree and its wholly-owned subsidiaries: Pinetree (Barbados) Inc., Pinetree (Israel) Inc., Pinetree Capital Investment Corp. (“PCIC”) and Emerald Capital Corp., as well as Pinetree Resource Partnership and Pinetree Income Partnership, each a general partnership of which Pinetree indirectly owns a 100% interest. In December 2019, the Company dissolved its inactive wholly-owned subsidiary, Genevest Inc. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All subsidiaries are currently inactive except for PCIC and PIP.

The Company controls an investee if the Company has:

- (i) power over the investee;
- (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Company’s potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in comprehensive (loss) income from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

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**Pinetree Capital Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2019 and 2018**  
**(In thousands of Canadian dollars except for securities and per share amounts)**

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**2. Basis of preparation (continued)**

The financial statements of the subsidiaries are prepared for the same reporting period as the Company's reporting period using consistent accounting policies. All inter-company account balances and transactions have been eliminated upon consolidation.

(c) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of estimation uncertainty and judgment considered by management in preparing the consolidated financial statements are as follows:

(i) Fair value of investment in securities not quoted in an active market or private company investments:

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Note 3(b)(iv) for further details.

(ii) Fair value of financial derivatives:

Investments in options and warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. Refer to Note 3 (b)(iv) for further details.

(iii) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to fair value options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value of an option: 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 that involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. 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. Refer to Note 8(c) for further details.

(iv) Income taxes:

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

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**Pinetree Capital Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2019 and 2018**  
**(In thousands of Canadian dollars except for securities and per share amounts)**

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**2. Basis of preparation (continued)**

(v) Warrants:

The Company uses the Black-Scholes option pricing model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value for a 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 warrant or a higher volatility number used would result in an increase in the warrant value.

**3. Significant accounting policies**

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented.

(a) Foreign currency:

(i) Functional currency:

These consolidated financial statements are presented in Canadian dollars, which is the parent's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences are recorded in the consolidated statements of comprehensive income (loss).

(iii) Translation of foreign operations:

The results and financial position of Pinetree's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of the consolidated statement of financial position;
2. Share capital is translated using the exchange rate at the date of the transaction;
3. Revenue and expenses for each consolidated statement of comprehensive income (loss) are translated at average exchange rates; and
4. All resulting exchange differences are recognized as a separate component of equity and as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statements of comprehensive income (loss).

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**Pinetree Capital Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2019 and 2018**  
**(In thousands of Canadian dollars except for securities and per share amounts)**

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**3. Significant accounting policies (continued)**

The Company treats specific inter-company loan balances that are not intended to be repaid in the foreseeable future as part of its net investment in a foreign operation, which is recorded as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statements of comprehensive income (loss).

(b) Financial instruments (investments, Class C preferred shares and due from brokers):

(i) Classification:

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in profit (loss).

Class C preferred shares are liabilities designated at fair value through profit or loss with changes in fair value reported in expenses in the consolidated statements of comprehensive income (loss).

Due from brokers are assets initially recognized at fair value (net of directly attributable transaction costs) and classified as subsequently measured at amortized cost.

(ii) Recognition, derecognition and measurement:

Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statements of comprehensive income (loss). Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9, Financial Instruments ("IFRS 9").

Subsequent to initial recognition, all investments are remeasured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statements of comprehensive income (loss) within net change in unrealized gains or losses on investments in the period in which they arise.

The fair value of Class C preferred share liabilities is determined by reference to the trading price of Pinetree's shares (Note 5 (a)).

(iii) Reclassification of investments:

The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

(iv) Determination of fair values:

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

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## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

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

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#### 3. Significant accounting policies (continued)

The Company is also required to disclose details of its investments (and other financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring or disclosing the fair value, and to provide additional disclosure in connection therewith (Note 4).

1. Publicly-traded investments (i.e., securities of issuers that are public companies):
  - a. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted bid prices at the consolidated statement of financial position dates or the closing trade price on the last day the security traded if there were no trades at the consolidated statement of financial position dates. These are included in Level 1 in Note 4 (a).
  - b. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These are included in Level 2 in Note 4 (a).
  - c. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. These are included in Level 2 in Note 4 (a).
2. Private company investments (securities of issuers that are not public companies):

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 4(a). Options and warrants of private companies are valued using an option pricing model when there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed.

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## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

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

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#### 3. Significant accounting policies (continued)

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

- a. there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
- b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
- c. the investee company is placed into receivership or bankruptcy;
- d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- e. receipt/denial by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed/prohibit with its project(s);
- f. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously noncompliant resource;
- g. release by the investee company of positive/negative exploration results; and
- h. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment are based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that could be realized if a ready market existed.

In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

#### 3. Investments in associates:

Investments in associates are those entities in respect of which the Company has or is deemed to have significant influence, but not control, over the financial and operating policies. Investments in associates are held as part of the Company's investment portfolio and carried in the consolidated statements of financial position at fair value even though the Company may have significant influence over the companies.

This treatment is permitted by IAS 28, Investment in Associates, which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in the consolidated statements of comprehensive income (loss) within net change in unrealized gains or losses on investments.

#### (c) Financial assets other than investments at fair value:

Financial assets that collect contractual cash flows made up of principal and interest on specified dates are classified

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**Pinetree Capital Ltd.**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2019 and 2018**  
**(In thousands of Canadian dollars except for securities and per share amounts)**

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**3. Significant accounting policies (continued)**

as subsequently measured at amortized cost. All other financial assets are designated as at fair value through profit or loss. All financial assets are recognized initially at fair value plus, in the case of financial assets classified as subsequently measured at amortized cost, directly attributable transaction costs.

Financial assets at amortized cost are measured at initial cost plus interest calculated using the effective interest rate method less cumulative repayments and adjustments for expected credit losses. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. For amounts deemed to be impaired, the impairment provision is based upon the expected credit loss.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and short-term investments with remaining maturities of less than three months. Cash and cash equivalents include accrued interest on short-term investments.

(e) Revenue recognition:

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of comprehensive income (loss), as part of net investment gains (losses).

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statements of comprehensive income (loss) as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income, other income and income from securities lending are recorded on an accrual basis.

(f) Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Income taxes:

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

(i) Current income tax:

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years

(ii) Deferred tax:

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period

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# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

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

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### 3. Significant accounting policies (continued)

when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

#### (h) Stock-based compensation plans:

The Company has a stock option plan that is described in Note 8(b). Employees (including officers), directors and consultants of the Company may receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received on the exercise of stock options is credited to share capital. The cost of options is recognized together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award (the “vesting date”).

The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company’s best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted, which represents the movement in cumulative expense recognized as at the beginning and end of that period.

Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense.

Where the terms of a stock option award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option, or is otherwise beneficial to the optionee as measured at the date of modification.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately; however, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share, if applicable.

#### (i) Income/loss per common share:

Basic income/loss per common share is determined by dividing net income/loss attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted income/loss per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

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**3. Significant accounting policies (continued)**

(j) Cost of private placement financing:

Incremental costs incurred in respect of raising capital through private placements or rights offerings are charged against equity proceeds raised.

(k) Financial liabilities:

Financial liabilities are presented at amortized cost except for financial derivatives and certain financial liabilities that from inception were designated at fair value through profit or loss. All financial liabilities are recognized initially at fair value net of directly attributable transaction costs except for those designated at fair value through profit or loss. Financial liabilities at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive income (loss).

Other financial liabilities are subsequently recognized at amortized cost using the effective interest method with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

(l) Due from brokers:

Due from brokers consists of cash owed to the Company from its brokers.

(m) Financial derivatives - options and warrants:

A financial derivative such as warrants or options that will be settled with the entity's own equity instruments will be classified as an equity instrument if the derivative is to acquire a fixed number of the entity's own equity instruments for a fixed amount of Canadian dollars.

A financial derivative will be considered a financial liability at fair value through profit or loss if it is to acquire either a variable number of equity instruments or consideration in a foreign currency and the options and warrants were not offered pro rata to all existing owners of the same class of non-derivative equity instruments.

(n) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting used by management and the Company's Board of Directors. The Company has a single reportable geographic segment, Canada.

(o) New accounting standards adopted:

Effective January 1, 2019, the Company has adopted IFRS 16, *Leases* and International Financial Reporting Interpretations Committee ("IFRIC") 23, *Uncertainty over Income Tax Treatments*. These changes were made in accordance with the applicable transitional provisions for which there was no impact on the consolidated financial statements for the year ended December 31, 2019. Under IFRS 16, the presentation on the statements of income (loss) and comprehensive income (loss) required by the new standard will result in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The Company's office lease has a duration of 12 months which is exempted from the new presentation.

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## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

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

(a) Financial hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments consist of the following as at December 31, 2019:

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<b>Investments</b>	<b>Cost</b>	<b>Level 1 Quoted market price</b>	<b>Level 2 valuation technique - observable market inputs</b>	<b>Level 3 Valuation technique - non- observable market inputs</b>	<b>Total fair value</b>
Equities	\$ 22,458	\$ 6,928	\$ 29	\$ 347	\$ 7,304
Debentures	2,495	2,801	-	-	2,801
Total investments	\$ 24,953	\$ 9,729	\$ 29	\$ 347	\$ 10,105
Investments denominated in foreign currencies		\$ 4,833	\$ -	\$ -	\$ 4,833
% of investments denominated in foreign currencies		50%	0%	0%	48%

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# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

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

Investments consist of the following as at December 31, 2018:

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	\$ 45,387	\$ 5,688	\$ -	\$ 714	\$ 6,402
Debentures	2,495	2,567	-	-	2,567
Total investments	\$ 47,882	\$ 8,255	\$ -	\$ 714	\$ 8,969
Investments denominated in foreign currencies		\$ 4,094	\$ -	\$ 45	\$ 4,139
% of investments denominated in foreign currencies		50%	0%	6%	46%

(1) As at December 31, 2019, included in total investments were securities of private companies with a fair value totaling \$347 (cost of \$11,539) (2018 – fair value of \$714 (cost of \$18,611) measured in accordance with the Company's accounting policy for private company investments.

(2) During the year ended December 31, 2019 and 2018, there were no transfers from Level 2 to Level 1. Generally, the transfer out of level 2 to level 1 consists of restricted investments that became unrestricted during the year.

(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 loss and comprehensive loss.

	Opening balance at January 1,	Proceeds on dispositions	Net realized losses on dispositions	Net unrealized gains	Proceeds from return of capital	Transfer out to Level 1	Ending balance
2019	\$ 714	\$ (19)	\$ (6,777)	\$ 6,705	\$ (66)	\$ (210)	\$ 347
2018	2,661	(130)	(3,040)	1,623	-	(400)	714

Transfers between levels of fair value hierarchy are deemed to have occurred at the date of event. During the year ended December 31, 2019, one of the investees in which Pinetree held a Level 3 investment was acquired in a stock-based transaction. This resulted in the shares of the Level 3 investments being exchanged for shares of a newly listed public company causing this investment to be transferred out of Level 3 to Level 1.

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, review of adjusted net book values, liquidation analysis, trends in general market conditions, the share performance of comparable publicly-traded companies and a strategic review.

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**4. Financial instruments hierarchy and investments at fair value (continued)**

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

Valuation technique	December 31, 2019		December 31, 2018	
	Fair Value	Unobservable inputs	Fair Value	Unobservable inputs
Trends in comparable publicly traded companies and general market conditions, review of adjusted net book values, liquidation analysis, strategic review	\$ 347	Adjustment range (-80% to -12.5%)	\$ 714	Adjustment range (-80% to -12.5%)
	\$ 347		\$ 714	

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 +/- \$87 (2018: +/- \$178) 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.

**5. Financial assets (liabilities) other than investments at fair value**

Financial assets and liabilities other than investments at fair value are as follows as at December 31:

	2019	2018
Cash and cash equivalents	\$ 6,206	\$ 7,250
Due from brokers	1,845	76
Income taxes receivable	19	19
Accounts payable and accrued liabilities (a)	(329)	(395)
	\$ 7,741	\$ 6,950

The carrying values of cash and cash equivalents, due from brokers, and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity for these instruments.

(a) As at December 31, 2019, included in accounts payable and accrued liabilities are Class C preferred share liabilities of \$211 (2018 - \$213). 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 December 31, 2019, the redemption price was \$10 per share and the retraction price in effect was \$0.07 per share (2018 - \$0.07 per share). During the year ended December 31, 2019, 200 of the Class C shares were cancelled by PCIC following their retraction by

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

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#### 5. Financial assets (liabilities) other than investments at fair value (continued)

the holder at approximately \$0.07 per share plus accrued and unpaid dividends. During the year ended December 31, 2018, none of the Class C shares were cancelled by PCIC. As at December 31, 2019, 21,100 Class C Shares (2018 - 21,300 Class C Shares) were issued and outstanding.

#### 6. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 - 26.5%) to the effective tax rate is as follows:

	2019	2018
Income (loss) before income taxes	\$ 1,918	\$ (2,360)
Expected income tax (recovery)	508	(625)
Tax rate changes	-	-
Tax rate changes and other adjustments	-	(2,166)
Non-deductible expenses and non-taxable income	(276)	298
Tax benefit from timing differences previously not recognized	-	-
Change in tax benefits not recognized	(232)	2,493
Income tax (recovery) expense	\$ -	\$ -

The following table summarizes the components of deferred tax:

	2019	2018
Deferred Tax Assets		
Capital losses carried forward	\$ 35	\$ -
Deferred tax expense		
Investments at fair value	\$ (35)	\$ -
Net deferred tax Asset	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences as at December 31:

	2019	2018
Equipment	\$ 190	\$ 625
Share and debt issuance costs	82	214
Non-capital losses carried forward	36,553	35,737
Investments at fair value	29,912	38,912
Capital losses carried forward	352,550	342,952
	\$ 419,287	\$ 418,440

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****Years Ended December 31, 2019 and 2018****(In thousands of Canadian dollars except for securities and per share amounts)**

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**6. Income taxes (continued)**

The Canadian non-capital loss carry forwards expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2020.

2030	\$	237
2033		5,829
2034		12,015
2035		11,566
2036		4,512
2037		1,136
2038		974
2039		284
	\$	36,553

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The Company's tax returns for fiscal years 2013 to 2014 are currently being audited by the Canada Revenue Agency ("CRA"). Certain tax positions taken by the Company previously, if successfully challenged by the CRA, could result in a reduction in capital and non-capital losses available for carry forward or additional tax expenses. At this time, the amount of tax exposure cannot be determined with any level of assurance.

The Company believes that the tax positions taken in the past are in compliance with the applicable tax law and will vigorously contest any reassessment. As a result, the Company has not recorded an accrual for additional tax liabilities related to the audit.

**7. 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 income (loss) were as follows during the years ended December 31:

Type of expense	2019	2018
Salaries, consulting fees and other benefits	\$ 16	\$ 26
Director fees	34	34
	\$ 50	\$ 60

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(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.

**8. Equity**

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

As at December 31, 2019, the Company had 9,045,198 (2018 – 9,045,198) common shares issued and outstanding.

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

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#### 8. Equity (continued)

##### (b) Stock option plan

The Company previously granted stock options to eligible directors, officers, employees, and consultants pursuant to its 2007 Stock Option Plan (the "2007 Plan"). The 2007 Plan was not renewed at the 2016 Annual General Meeting and therefore no further options can be granted under the plan.

Under the terms of the 2007 Plan, the number of common shares that may be issued did not exceed 10% of the number of common shares outstanding at the time of grant. The exercise price of an option granted under the 2007 Plan was determined by the Board of Directors and could not be less than the closing price of the common shares on the TSX on the last trading day prior to the grant date of the option. The Board of Directors had the discretion to determine the term and vesting provisions (if any) of options granted under the 2007 Plan, provided that the option terms did not exceed 10 years.

##### (c) Stock options:

No stock options were granted during the years ended December 31, 2019 or 2018. A summary of the status of the Company's stock options as at December 31, 2019 and 2018 and changes during the years then ended is presented below:

Stock options	2019		2018	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Outstanding and exercisable, beginning of year	126,650	\$ 16.93	151,050	\$ 22.03
Expired	(54,100)	28.18	(24,400)	48.52
Outstanding and exercisable, at end of year	72,550	\$ 8.54	126,650	\$ 16.93

(d) Basic and diluted income (loss) per common share based on net income (loss) are as follows for the years ended December 31:

Numerator:	2019	2018
Net income (loss) for the year	\$ 1,918	\$ (2,360)
Denominator:	2019	2018
Weighted average number of common shares outstanding – basic	9,045,198	9,045,198
Weighted average effect of diluted stock options (i)	-	-
Weighted average number of common shares outstanding – diluted	9,045,198	9,045,198
Earnings (loss) per common share based on net income (loss) for the year:	2019	2018
Basic and diluted	\$ 0.21	\$ (0.26)

- (i) The determination of the weighted average number of common shares outstanding – diluted excludes 72,550 stock options as they were anti-dilutive for the year ended December 31, 2019 (2018 – 126,650).

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

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#### 8. Equity (continued)

(e) Maximum share dilution:

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

	2019	2018
Common shares outstanding	9,045,198	9,045,198
Stock options to purchase common shares	72,550	126,650
Fully diluted common shares outstanding	9,117,748	9,171,848

#### 9. Income

Net investment gains (losses) comprises of the following for the years ended December 31:

	2019	2018
Net realized losses on disposal of investments	\$ (21,927)	\$ (5,350)
Net change in unrealized gains on investments	24,064	3,186
	\$ 2,137	\$ (2,164)

For the year ended December 31, 2019 and 2018, other income comprises of interest and dividend income.

#### 10. Expense by nature

Included in operating, general and administrative expenses for the years ended December 31:

	2019	2018
Professional fees	\$ 97	\$ 146
Office and general	176	184
Transfer agent, filing fees and other info systems	103	113
Consulting and directors' fees	79	60
Transaction costs	19	28
Travel and other	-	3
Foreign exchange loss (gain)	89	(80)
	\$ 563	\$ 454

Included in office and general expenses for the year ended December 31, 2019 is rent expense of \$22 in relation to the Company's commercial occupancy lease (December 31, 2018 - \$4).

#### 11. Finance expense

Finance expense is comprised of interest and dividend expense for the years ended December 31, 2019 and 2018.

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**12. Management of capital**

The Company considers its capital to include equity which amounts to \$17,898 as at December 31, 2019 (2018 - \$15,980). 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.

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 is meeting its objective of managing capital through detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the size of the Company, is reasonable. There were no changes to the Company's objectives in managing and maintaining capital during the year ended December 31, 2019. The Company is not subject to any capital requirements imposed by a regulator or otherwise.

**13. 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) 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 as 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 changes in fair value 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, 2018. The Company manages market risk by having a portfolio that is not singularly exposed to any one issuer, although Pinetree's investment activities are currently concentrated primarily in the technology sector. The Company also requires approval from the board of directors for purchases of investments over a certain cost threshold.

For the year ended December 31, 2019, a 1% change in the closing trade price of the Company's investments (with all other variables held constant) would have an estimated change on the Company's total comprehensive income of \$85 (2018 – decrease on the Company's total comprehensive loss of \$72).

- (b) Concentration risk in the Company's investment portfolio

Concentration risk is the risk that any investment or group of investments will have the potential to materially affect

# Pinetree Capital Ltd.

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### 13. Risk management (continued)

the operating results of the Company. As at December 31, 2019, the Company's top five investments, all of which are public companies in the technology sector, had a fair value of \$6,904. This represents 71% of the fair value of the Company's total portfolio and 39% of the fair value of the Company's total equity. As at December 31, 2018, the Company's top five

investments, four of which were public companies and one a private company, had a fair value of \$6,191 in the technology sector. These represented 69% and 8% of the fair value of the Company's total portfolio, and together represented 41% of the Company's total equity.

#### (c) 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 in securities of "small-cap" issuers, which can at times be relatively illiquid. 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, 2018. The Company's liquidity risk is limited to exposure to accounts payable and accrued liabilities.

The Company's accounts payable and accrued liabilities are contractual undiscounted cash flows. As at December 31, 2019, \$329 are due in less than one year, representing 1.8% of total assets on the statements of financial position (2018 - \$395 and 2.4%).

Included in accounts payable and accrued liabilities are Class C preferred share liabilities of \$211 (2018 - \$213) which 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 following table shows the Company's source of liquidity by assets as at December 31, 2019:

Assets	Liquidity by period				Non-liquid assets
	Total	Less than 1 year	1 – 3 years	After 4 years	
Cash and cash equivalents	\$ 6,206	\$ 6,206	\$ -	\$ -	\$ -
Due from brokers	1,845	1,845	-	-	-
Investments, at fair value	10,105	9,758	347	-	-
Prepays and receivables	52	52	-	-	-
Income taxes receivable	19	19	-	-	-
	<b>\$ 18,227</b>	<b>\$ 17,880</b>	<b>\$ 347</b>	<b>\$ -</b>	<b>\$ -</b>

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#### 13. Risk management (continued)

The following table shows the Company's source of liquidity by assets as at December 31, 2018:

Assets	Liquidity by period				Non-liquid assets
	Total	Less than 1 year	1 – 3 years	After 4 years	
Cash and cash equivalents	\$ 7,250	\$ 7,250	\$ -	\$ -	\$ -
Due from brokers	76	76	-	-	-
Investments, at fair value	8,969	8,255	714	-	-
Prepays and receivables	61	61	-	-	-
Income taxes receivable	19	19	-	-	-
	<b>\$ 16,375</b>	<b>\$ 15,661</b>	<b>\$ 714</b>	<b>\$ -</b>	<b>\$ -</b>

#### (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 foreign currencies such as U.S. dollars, Euros, Great British pounds, Swedish krona, and Australian dollars. 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, 2018. Although the Company believes that it is exposed to foreign exchange risk (U.S. dollar) it does not actively hedge its foreign currency exposure as the risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments. A 1% change in the US dollar exchange rate impacts net income by \$47 at December 31, 2019 (2018 - \$46).

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

	2019	2018
Net assets denominated in U.S. dollars	\$ 4,709	\$ 4,594
Net assets denominated in GBP	1,005	529
Net assets denominated in Euros	447	-
Net assets denominated in Australian dollars	-	139
Net assets denominated in Swedish krona	-	204
	<b>\$ 6,161</b>	<b>\$ 5,466</b>

#### (e) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash and investments affected by changes in short term interest rates will be minimal. A 1% change in interest rates impacts net income by \$62 (2018 - \$73) based upon balances at December 31, 2019. There were no changes to the way that the Company manages interest rate risk since December 31, 2018. Pinetree does not hedge against any interest rate risk.

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## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

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#### 13. Risk management (continued)

(f) Credit risk:

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties owing it money or securities will not perform their underlying obligations and for funds held with banks or brokers for cash. The Company may, from time to time, invest in debt obligations.

As at December 31, 2019 and 2018, the Company did not hold any debt obligations. All funds in cash are held in financial institutions that have a credit rating above AA and the Company believes it is not exposed to any significant credit risk.

There were no changes to the way the Company manages credit risk during the year ended December 31, 2019. The Company is also exposed in the normal course of business to credit risk from the sale of its investments.

The following is the Company's maximum exposure to credit risk as at December 31:

	2019	2018
Cash and cash equivalents	\$ 6,206	\$ 7,250
Due from brokers	1,845	76
	\$ 8,051	\$ 7,326

#### 14. 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 year ended December 31, 2019.

#### 15. Supplementary disclosure of cash flow information

The following table shows the supplemental cash flow information for the year end December 31:

	2019	2018
Income taxes paid	\$ 2	\$ 19
Dividends paid on Class C preferred shares (finance expenses)	34	-

#### 16. Commitment

Under the terms of commercial occupancy lease, the Company is committed to pay \$23 in 2020 which can be renewed annually.