



**PINETREE CAPITAL LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD ENDED:      SEPTEMBER 30, 2019**

**DATE OF REPORT:              NOVEMBER 6, 2019**

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This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Pinetree Capital Ltd. ("Pinetree" or the "Company") should be read in conjunction with Pinetree's condensed consolidated interim financial statements and notes thereto as at and for the period ended September 30, 2019.

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

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

**Cautionary Note Regarding Forward-Looking Information:**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or courses of action or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "anticipate", "plan", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and other similar terminology (including negative variations) suggesting future outcomes or statements regarding an outlook.

By their nature, forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The assumptions that were made in support of the forward-looking statements in this MD&A, while considered reasonable by management at the time, are inherently subject to uncertainties and no assurance can be given that these assumptions will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements contained in this MD&A.

Some of the risks, uncertainties and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: the nature of the Company's investments; the concentration of its investments in certain industries and sectors; the Company's dependence on its management team; risks affecting the Company's investments; Global, political and economic conditions; investments by the Company in private issuers which have illiquid securities; issuer-specific events that affect a company's market value; and other risks and factors discussed elsewhere in this MD&A under the heading "Risk Factors" and in the Company's current annual information form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under Pinetree's profile at [www.sedar.com](http://www.sedar.com). These risk factors are unpredictable and outside the Company's control, and may affect the future value of the Company's investment portfolio as well as the prices at which investments may be disposed of. Adverse changes in these conditions would negatively impact the Company's ability to remain in compliance with its contractual obligations and generate working capital to fund its ongoing requirements.



The forward-looking statements contained in this MD&A are provided as of the date hereof and, except as may be required by law, the Company assumes no obligation to update or revise them to reflect new events or circumstances. All the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

## 1. About Pinetree

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

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

## 2. Overall Performance

During the period ended September 30, 2019, the Company continued to take a disciplined approach to capital management in order to fund ongoing operations of the Company.

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

	Shares Outstanding	Net Asset Value (NAV) \$'000s	Operating Expenses <sup>2</sup> (excluding F/X g(l)) (OpEx) \$'000s	NAV per share – basic <sup>1</sup> \$	QuarterlyOpEx per NAV <sup>1</sup> %
Sep-30-19	9,045,198	17,295	80	1.91	0.5
Jun-30-19	9,045,198	17,350	118	1.92	0.7
Mar-31-19	9,045,198	17,106	119	1.89	0.7
Dec-31-18	9,045,198	15,980	103	1.77	0.6
Sept-30-18	9,045,198	16,326	171	1.80	1.0
Jun-30-18	9,045,198	18,925	121	2.09	0.6
Mar-31-18	9,045,198	18,639	139	2.06	0.7
Dec-31-17	9,045,198	18,305	195	2.02	1.1

<sup>1</sup> Refer to "Use of Non-GAAP Financial Measures"

Shares Outstanding and Net Asset Value amounts are as at the Quarter End date

Operating Expenses amounts are for the Three months ending the Quarter End date

<sup>2</sup> Operating Expenses do not include Foreign Exchange gain (loss) on financial assets other than investments

### *Investments and Operating Results*

As at September 30, 2019, the Company held investments at fair value totaling \$8,025 as compared to \$8,969 as at December 31, 2018, an 11% decrease. This was attributable to net dispositions in the investment portfolio partially offset by net investment gains during the nine months ended September 30, 2019.

Basic loss per share for the three months ended September 30, 2019 was \$0.01 as compared to \$0.29 for the three months ended September 30, 2018. Basic earnings per share for the nine months ended September 30, 2019 was \$0.15 as compared to basic loss of \$0.22 for the nine months ended September 30, 2018.

As at September 30, 2019, net asset value per share ("NAV per share") was \$1.91 as compared to \$1.77 as at December 31, 2018. See "Use of Non-GAAP Financial Measures" elsewhere in this MD&A.

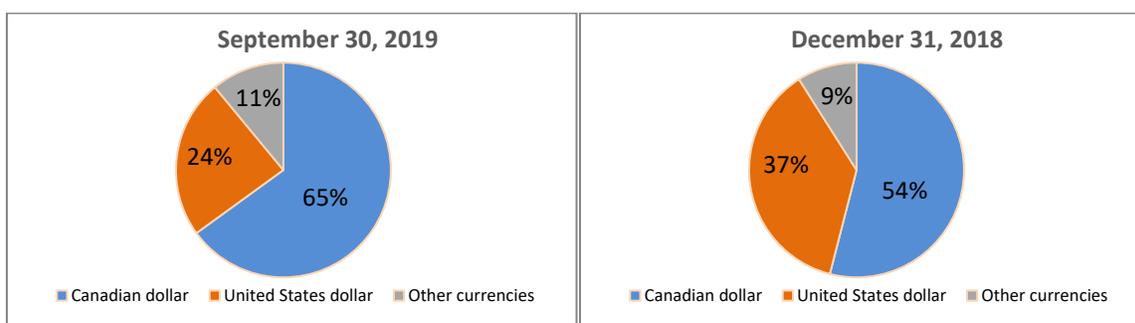
### 3. Summary of Investment Portfolio

Investments consist of the following as at September 30, 2019 and December 31, 2018:

Investments	September 30, 2019		December 31, 2018	
	Cost	Total fair value	Cost	Total fair value
Equities	\$ 23,671	\$ 5,288	45,387	\$ 6,402
Debentures	2,495	2,737	2,495	2,567
Total investments	\$ 26,166	\$ 8,025	\$ 47,882	\$ 8,969
Investments denominated in foreign currencies		\$ 2,790		\$ 4,139
% of investments denominated in foreign currencies		35%		46%

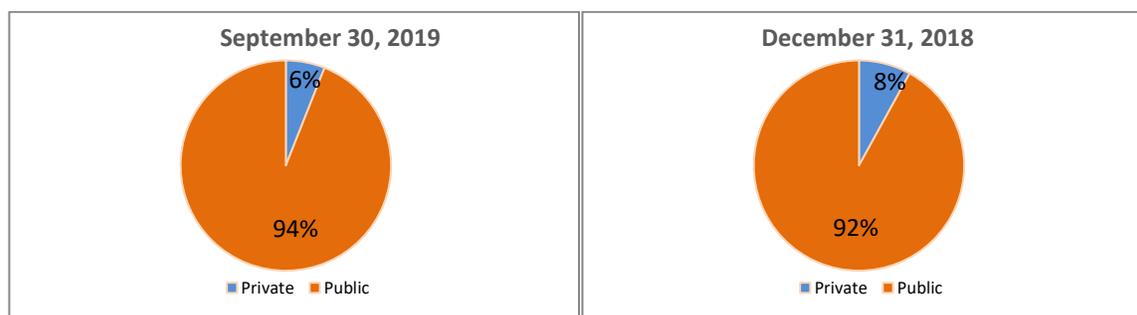
The following information regarding our portfolio is historical as at the dates indicated and may change due to the ongoing investment activities of the Company, in addition to fluctuations in the fair values of investments.

#### Currency Allocation\*



\*As a percentage of the aggregate fair value of our investment portfolio

#### Public/Private Company Allocation\*



\*As a percentage of the aggregate fair value of our investment portfolio

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

In 2016, Pinetree underwent a complete management and board change. The new management team spent time reviewing the legacy portfolio then started making new investments in 2017. As at September 30, 2019, Pinetree held investments made by current management plus cash and equivalents with a combined fair value of \$17,067 (December 31, 2018 – fair value of \$15,128). These securities and cash represent 99% of the company's current Net Asset Value<sup>(i)</sup> ("NAV") (95% as at December 31, 2018), as follows:

	September 30, 2019	December 31, 2018
Investments made after January 1, 2017	\$ 7,570	\$ 7,802
Cash and cash equivalents and due from brokers	9,497	7,326
	<b>\$ 17,067</b>	<b>\$ 15,128</b>
Percentage of NAV <sup>(i)</sup>	<b>99%</b>	95%

<sup>(i)</sup> See Use of Non-GAAP Financial Measures elsewhere in this MD&A

As at September 30, 2019, included in total investments were securities of private companies with a fair value totaling \$453 (cost of \$12,590) (December 31, 2018 – fair value of \$714 (cost of \$18,611)) measured in accordance with the Company's accounting policy for private company investments. The fair value was determined in accordance with the Company's accounting policy for private company investments. The amounts at which the Company's private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments.

Refer to Note 3 of the Notes to the condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2019 for other details about the Company's investments.

#### 4. Results of Operations

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

	Quarter ended (unaudited, \$ in thousands except per share amount)							
	Sept 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
Net investment gains (losses)	(108)	308	1,241	(330)	(2,503)	303	366	(392)
Net income (loss) for the period	(55)	244	1,126	(381)	(2,599)	286	334	(562)
Comprehensive income (loss)	(55)	244	1,126	(346)	(2,599)	286	334	(562)
Earnings (loss) per share basic and diluted	(0.01)	0.03	0.12	(0.04)	(0.29)	0.03	0.04	(0.06)

## 5. Three Months Ended September 30, 2019 and 2018

The net investment losses for the three months ended September 30, 2019 were \$108 (three months ended September 30, 2018 – \$2,503) as a result of net realized losses on investments offset by a net change in unrealized gains as described below.

For the three months ended September 30, 2019, the Company had \$4,408 net realized losses on disposal of investments as compared to net realized losses of \$697 for the three months ended September 30, 2018. The realized losses were primarily from legacy investments with little or no value, partially offset by realized gains from new investments.

For the three months ended September 30, 2019, the Company had a net change in unrealized gains on investments of \$4,300 as compared to net change in unrealized losses on investments of \$1,806 for the three months ended September 30, 2018. The net change in unrealized gains were primarily from the reversal of previously recognized net unrealized losses on the disposition of investments and the net write-up to market on the Company's investments.

For the three months ended September 30, 2019, other income totalled \$136 as compared to other income of \$80 for the three months ended September 30, 2018. Other income is comprised of interest and dividend income of \$121 and \$15, respectively (three months ended September 30, 2018 – interest and dividend income of \$71 and 9, respectively).

Operating, general and administrative expenses for the three months ended September 30, 2019 decreased to \$77 from \$172 for the three months ended September 30, 2018. A breakdown of these expenses for the three month periods ended September 30, of 2019 and 2018 is set out below. Details of the changes between periods follow the table:

	2019	2018
Professional fees (a)	\$ 10	\$ 85
Office and general (b)	34	68
Transfer agent, filing fees and other info systems (c)	18	(4)
Consulting and directors' fees	14	8
Transaction costs	4	14
Foreign exchange loss (gain) (d)	(3)	1
	\$ 77	\$ 172

- (a) Professional fees decreased by \$75 as compared to the three months ended September 30, 2018 primarily due to a reduction in legal and tax advisory fees during the three months ended September 30, 2019.
- (b) Office and general expenses decreased by \$34 as compared to the three months ended September 30, 2018 from a general reduction in operating expenses.
- (c) Transfer agent, filing fees and other info systems increased by \$22 compared to the three months ended September 30, 2018, due to increased use of transfer agents for the three months ended September 30, 2019 compared to a recovery of expenses during the three months ended September 30, 2018.
- (d) Foreign exchange gain increased by \$4 in the three months ended September 30, 2019 as compared to the three months ended September 30, 2018. The Company had a foreign exchange loss during the three months ended September 30, 2019 primarily due to the decrease in the value of the Canadian dollar versus the U.S. dollar during the period, which increased the Canadian dollar value of the Company's U.S. dollar denominated monetary assets. In the prior year period, the Company had foreign exchange gain.

## 6. Nine Months Ended September 30, 2019 and 2018

The net investment gains for the nine months ended September 30, 2019 was \$1,441 (nine months ended September 30, 2018 – net investment losses of \$1,834) as a result of a net change in unrealized gains and realized losses on investments as described below.

For the nine months ended September 30, 2019, the Company has \$19,332 net realized losses on disposal of investments as compared to \$5,513 for the nine months ended September 30, 2018. The realized losses were primarily from legacy investments with little or no value, partially offset by net realized gains from new investments.

For the nine months ended September 30, 2019, the Company had a net change in unrealized gains on investments of \$20,773 as compared to \$3,679 for the nine months ended September 30, 2018. The net change in unrealized gains were from the reversal of previously recognized net unrealized losses on the disposition of investments and the net write-up to market on the Company's investments.

For the nine months ended September 30, 2019, other income totalled \$256 as compared to other income of \$201 for the nine months ended September 30, 2018. Other income is comprised of interest and dividend income of \$211 and \$45, respectively (nine months ended September 30, 2018 – interest and dividend income of \$192 and \$9, respectively).

Operating, general and administrative expenses for the nine months ended September 30, 2019 increased to \$369 from \$333 for the nine months ended September 30, 2018, primarily from an increase in the foreign exchange loss.

A breakdown of operating, general and administrative expenses for the indicated nine month periods ended September 30, of 2019 and 2018 is set out below. Details of the changes between periods follow the table:

	2019	2018
Professional fees (a)	\$ 30	\$ 136
Office and general (b)	134	111
Transfer agent, filing fees and other info systems	91	95
Consulting and directors' fees (c)	51	74
Transaction costs	11	14
Travel	-	2
Foreign exchange loss (gain) (e)	59	(99)
	\$ 376	\$ 333

- (a) Professional fees decreased by \$106 as compared to the nine months ended September 30, 2018 primarily due to a reduction in legal and tax advisory fees for the nine months ended September 30, 2019.
- (b) Office and general expenses increased by \$23 as compared to the nine months ended September 30, 2018 primarily due to an expense of unrecoverable input sales tax and an increase in computer system expenses for the nine months ended September 30, 2019.
- (c) Consulting and directors' fees decreased by \$23 as compared to the nine months ended September 30, 2018, due to decreased use of consultants during the nine months ended September 30, 2019.
- (d) Foreign exchange loss increased by \$158 in the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018. The Company had a foreign exchange loss during the nine months ended September 30, 2019 primarily due to the increase in the value of the Canadian dollar versus the U.S. dollar during the period, which decreased the Canadian dollar value of the Company's U.S. dollar denominated monetary assets. In the prior year period, the Company had a foreign exchange gain of \$99.

## 7. Cash Flow

Net cash used in operating activities was \$992 during the nine months ended September 30, 2019 as compared to \$474 during the nine months ended September 30, 2018. During the nine months ended September 30, 2019, the Company had proceeds from disposition of investments of \$5,635, a increase of \$4,119, when compared to \$1,516 during the nine months ended September 30, 2018. During the nine months ended September 30, 2019, the Company purchased \$3,316 of investments, a decrease of \$333 as compared to \$3,649 of investments purchased during the nine months ended September 30, 2018.

For the nine months ended September 30, 2019, the Company had a net decrease in cash and cash equivalents of \$992 as compared to \$474 for the nine months ended September 30, 2018, leaving a cash and cash equivalents balance of \$6,258 as at September 30, 2019 as compared to \$7,036 as at September 30, 2018.

## 8. Liquidity and Capital Resources

<b>Consolidated Statements of Financial Position Highlights</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Cash and cash equivalents	\$ 6,258	\$ 7,250
Investments at fair value	8,025	8,969
Total assets	17,581	16,375
Total liabilities	286	395
Share capital, contributed surplus and foreign currency translation reserve	432,587	432,587
Deficit	(415,292)	(416,607)
<b>NAV per share – Basic <sup>(i)</sup></b>	<b>\$ 1.91</b>	<b>\$ 1.77</b>

<sup>(i)</sup> See Use of Non-GAAP Financial Measures elsewhere in this MD&A

Pinetree relies upon various sources of funds for its ongoing operating and investing activities. These sources include proceeds from dispositions of investments, interest and dividend income from investments and capital raising activities such as equity financings.

In order for the Company to complete additional portfolio investments in the future, it may require additional equity and/or debt capital. Accordingly, the Company may complete one or more equity and/or debt financing transactions during the next 12 to 24 months. Such financing transactions, if consummated, are most likely to be completed on a prospectus-exempt basis.

## 9. Liabilities

As at September 30, 2019, the carrying value of total liabilities was \$286 as compared to \$395 as at December 31, 2018, a decrease mainly attributable to the payment of accrued liabilities during the period ended September 30, 2019. The Company continues to have no long-term debt and its cash and investments as at September 30, 2019 would be sufficient to meet the Company's current liabilities.

As at September 30, 2019, accounts payable and accrued liabilities include Class C preferred share liabilities of \$212 (December 31, 2018 - \$213). The Class C preferred shares ("Class C Shares") which are part of the share capital of Pinetree Capital Investment Corp. ("PCIC"), one of the Company's subsidiaries, 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, payable semi-annually.

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 September 30, 2019, the redemption price was \$10 per

share and the retraction price in effect was \$0.07 per share (December 31, 2018 - \$0.07 per share). During the nine months ended September 30, 2019, 100 of the Class C shares were cancelled by PCIC following their retraction by 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 September 30, 2019, 21,200 Class C Shares (December 31, 2018 - 21,300 Class C Shares) were issued and outstanding.

As at September 30, 2019, also included in accounts payable and accrued liabilities is \$33 for the winding down of its wholly owned inactive subsidiaries in Barbados and Canada.

## 10. Commitments

As at September 30, 2019, the Company had material commitments for cash resources of \$286 (December 31, 2018 - \$395), a decrease of \$109. The Company's cash and cash equivalents balance is sufficient to pay these material commitments.

As at September 30, 2019, included in accounts payable and accrued liabilities are \$212 of Class C Shares (December 31, 2018 - \$213). The Class C Shares are redeemable and retractable at any time.

In addition, under the terms of commercial occupancy lease, the Company is committed to pay \$6 for the remainder of 2019, which can be renewed annually.

## 11. Related Party Transactions

All transactions with related parties have occurred in the normal course of operations. Related party transactions included in the statement of comprehensive loss were as follows during the three and nine months ended September 30:

Type of expense	Nature of relationship	Three months ended		Nine months ended	
		September 30,		September 30,	
		2019	2018	2019	2018
Salaries, consulting fees and other benefits	Officers	\$ 5	\$ -	\$ 13	\$ 48
Director fees (i)	Directors	9	9	26	26
		\$ 14	\$ 9	\$ 39	\$ 74

- (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.

## 12. Segmented information

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

The Company has a single reportable geographic segment, Canada, and all of the Company's 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 September 30, 2019.

### **13. Off-Balance Sheet Arrangements**

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

### **14. Internal Controls over Financial Reporting**

#### Disclosure Controls and Procedures

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

The CEO and CFO have evaluated the design of the Company’s DC&P as at September 30, 2019 and have concluded that the DC&P were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

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

#### Internal Controls over Financial Reporting

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

The design and operating effectiveness of the Company’s ICFR were evaluated by the CEO and CFO in accordance with criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and NI 52-109, as at September 30, 2019. The CEO and CFO have evaluated the ICFR as at December 31, 2018. The CEO and CFO have not identified in their review any weaknesses that have materially affected or are reasonably likely to materially affect Pinetree’s ICFR. Based on this evaluation, the CEO and CFO have concluded that the Company’s ICFR were effective in providing reasonable assurance that its financial reporting is reliable and its consolidated financial statements were prepared in accordance with IFRS.

There were no changes in the Company’s ICFR that occurred during the three months ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect the Company’s ICFR.

### **15. Management of Capital**

There were no changes in the Company’s approach to capital management during the three months ended September 30, 2019. The Company’s capital includes all components of equity which amounts to \$17,295 as at September 30, 2019 (December 31, 2018 - \$15,980). To date, the Company has not declared any cash dividends on its common shares to its shareholders as part of its capital management program. The Company’s current capital resources are sufficient to discharge its outstanding liabilities as at September 30, 2019.

## 16. Risk Factors

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

Some risks are described below. Additional risks not currently known to the Company, or that the Company currently believe to be immaterial, may also affect and negatively impact the Company's business.

### (a) Portfolio exposure:

Given the nature of the Company's activities, its results of operations and financial condition are dependent upon the market value of the securities that comprise the Company's portfolio. Market value can be reflective of the actual or anticipated operating results of our portfolio companies and/or the general market conditions that affect the sectors in which Pinetree invests. The Company's investment activities are currently concentrated primarily in the technology industry. There are various factors that could have a negative impact on Pinetree's portfolio companies and thereby have an adverse effect on our business. Additionally, a portion of Pinetree's investments are in small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows but which may not ever mature or generate the returns the Company expects or may require a number of years to do so. These companies may never achieve success. This may create an irregular pattern in the Company's revenues (if any). Macro factors such as global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, thereby negatively impacting one or more of the portfolio companies concurrently. Company-specific risks could have an adverse effect on one or more of the Company's portfolio companies at any point in time. Company-specific and industry-specific risks which materially adversely affect Pinetree's portfolio investments may have a materially adverse impact on our operating results.

### (b) Concentration risk

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. As at September 30, 2019, the Company's top five investments, all of which are public companies in the technology sector, had a fair value of \$5,836. This represents 73% of the fair value of the Company's total portfolio and 34% of the fair value of the Company's 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 and resources sectors. 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) Tax Matters:

The Company's tax returns for the period 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 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 CRA audit.

### (d) Cash Flows/Revenue:

Pinetree generates revenue and cash flows primarily from its proceeds from the disposition of its investments, in addition to interest and dividend income earned on the Company's investments and fees generated from securities lending and other activities. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Company's direct control.

(e) Private Issuers and Illiquid Securities:

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

(f) Share Prices of Investments:

Pinetree's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject securities could be subject to wide fluctuations in response to various factors beyond the control of Pinetree, including quarterly variations in the subject entities' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments and significantly negatively impact upon the Company's operating results.

(g) Dependence on Management:

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

(h) Access to Capital/Liquidity:

Pinetree anticipates ongoing requirements for funds to support the Company's growth and may seek to obtain additional funds for these purposes through public or private equity shares financing. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any additional debt financing may result in increased interest expense or restrictions on our operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investment portfolio. The Company will need to finance our ongoing working capital requirements through portfolio dispositions and external sources of capital, both of which are dependent upon certain factors outside of our control. There can be no assurance that we will be able to generate sufficient cash to fund our operations and satisfy our commitments, and the failure to do so will have a material adverse effect on our operations.

(i) Non-controlling Interests:

Pinetree's investments include debt instruments and equity securities of companies that Pinetree does not control. These instruments and securities may be acquired in the secondary market or through purchases of securities from the issuer. Any such investment is subject to the risk that the company in which the investment is made may make business, financial or management decisions with which Pinetree does not agree, or that the majority stakeholders or the management of

the company may take risks or otherwise act in a manner that does not serve Pinetree's interests. If any of the foregoing were to occur, the values of the Company's investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

(j) Exchange Rate Fluctuations:

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

## 17. Outstanding Share Data

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

At the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Pinetree are as follows:

Common shares outstanding	9,045,198
Stock options outstanding to purchase common shares	104,850
Fully diluted common shares outstanding	9,150,048

Additional information about the Company's share capital can be found in note 6 of the Notes to the consolidated financial statements as at and for the three and nine months ended September 30, 2019.

## 18. Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Critical accounting estimates used in the preparation of the Company's consolidated financial statements are the fair value of its investments in securities not quoted in an active market (its privately-held investments) and the recognition of the Company's deferred tax assets ("DTA").

### Fair Value of Investment in Securities Not Quoted in an Active Market:

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

Within Level 3 of the financial instruments hierarchy, the valuation of the Company's private company investments and other investment instruments such as loans to investees and convertible debentures, which are not quoted on an exchange, involve the key assumptions including 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 strategic reviews of the investments in conjunction with the Company's investment strategy. Changes in

the fair value of our private investments for company-specific reasons have tended to be infrequent. Changes as a result of trends in comparable publicly-traded companies and general market conditions may be more frequent from period to period during times of significant volatility; however, given the size of our private investment portfolio, such changes may have a significant impact on our financial condition or operating results.

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

Valuation technique	September 30, 2019		December 31, 2018	
	Fair Value	Unobservable inputs	Fair Value	Unobservable inputs
Trends in comparable publicly traded companies and general market conditions and strategic review	\$ 453	Adjustment range (-80% to -12.5%)	\$ 714	Adjustment range (-80% to -12.5%)
	\$ 453		\$ 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 +/- \$113 (December 31, 2018: +/- \$178) change to the total fair value of the investments.

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.

#### Recognition of Deferred Tax Assets:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. As at September 30, 2019, management determined, based upon the Company's historical level of profit and historical market trends of a comparable market index, it is not probable that the Company will generate sufficient profit to realize the tax benefits of these deductible differences during the next several years. As such, the Company has recorded deferred tax assets of \$nil as at September 30, 2019 (December 31, 2018 - \$nil).

#### 19. Use of Non-GAAP Financial Measures

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

**Additional Information:**

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