Management's Discussion and Analysis

For the Year Ended: **December 31, 2012**

Date of Report: **March 8, 2013**

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 annual audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2012 and 2011. See "Significant Accounting Policies" elsewhere in this MD&A.

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

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

Caution Regarding Forward-Looking Information:

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

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

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

About Pinetree:

Pinetree 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 130 King St. West, Suite 2500, Toronto, Ontario, Canada, M5X 2A2.

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

Overall Performance:

During 2012, a majority of the stock prices of the Company's investments continued to be depressed and the sectors in which the Company invests continued to be volatile with commodity prices falling. As a result, the Company recorded a net change in unrealized losses on investments of $95,223 and realized losses of $38,708 for the year ended December 31, 2012 and the fair value of the Company's investments decreased by 37%. However, the Company continued to be active by purchasing investments totalling $132,932 using proceeds from the disposition of investments totalling $156,490.

As at December 31, 2012, the Company held investments at fair value totalling $270,180 as compared to $427,669 as at December 31, 2011, a decrease primarily attributable to net investment losses.

As at December 31, 2012, net asset value per share (“NAV per share”) was $1.55 as compared to $2.61 as at December 31, 2011, a 41% decrease (See “Use of Non-GAAP Financial Measures” elsewhere in this MD&A).

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

	NAV per share*
December 31, 2012	**$ 1.55**
September 30, 2012	**1.91**
June 30, 2012	**1.74**
March 31, 2012	**2.58**
December 31, 2011	2.61
September 30, 2011	2.64
June 30, 2011	3.63
March 31, 2011	4.66

*See “Use of Non-GAAP Financial Measures”.

Investments:

Investments at cost and fair value consist of the following as at December 31:

	2012		2011	
Sectors:	**Cost**	**Fair Value**	Cost	Fair Value
Resources:				
Precious metals	**$ 306,531**	**$ 145,169**	$ 309,378	$ 233,771
Base metals	**128,016**	**31,075**	149,180	61,050
Oil and gas	**72,637**	**30,433**	73,923	43,125
Potash, lithium and rare earths	**49,874**	**27,739**	52,479	38,840
Uranium	**84,241**	**18,875**	113,142	28,272
Coal	**5,156**	**2,140**	5,927	5,320
Technology and other	**38,072**	**14,749**	42,740	17,291
Total investments	**$ 684,527**	**$ 270,180**	$ 746,769	$ 427,669

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

	2012		2011	
Resources:		**% of Total**		% of Total
Precious metals	**189**	**47.8**	200	46.1
Base metals	**77**	**19.5**	93	21.4
Oil and gas	**36**	**9.1**	46	10.6
Uranium	**26**	**6.6**	28	6.5
Potash, lithium and rare earths	**25**	**6.3**	26	6.0
Coal	**7**	**1.8**	7	1.6
Technology and other	**35**	**8.9**	34	7.8
	395	**100.0**	434	100.0

Overall, the total number of investments held by the Company and the percentage of investments held by sector remained relatively constant as compared to the prior year-end. The total number of investments decreased by 9% since prior year-end due to dispositions of investments and merger and acquisition activity of investee companies which resulted in some consolidation in the 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 significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity, and current market prices may differ significantly from the historical prices used to calculate fair value for the purposes of the Company's consolidated financial statements.

As at December 31, 2012, included in total investments were securities of private companies with a fair value totalling $23,415 (9% of total fair value of the Company's investments; cost of $28,485). As at December 31, 2011, included in total investments were securities of private companies with a fair value totalling $29,076 (7% of total fair value of the Company's investments; cost of $32,996). The fair value of the private companies declined due to the dispositions of some investments and others being reclassified as a result of becoming listed on a stock exchange. The fair value was determined in accordance with the Company's accounting policy for private company investments. The amounts at which the Company's private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments.

All investments are classified at fair value through profit or loss, with changes in fair value reported in the consolidated statement of profit or loss. Refer to notes 4 of the Notes to the consolidated financial statements as at and for the year ended December 31, 2012 for other details about the Company's investments. A detailed list of Pinetree's investments as at December 31, 2012 can be found on Pinetree's website at www.pinetreetrecapital.com.

Results of Operations:

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

		2012		2011
Net investment losses	**$**	**133,931**	$	330,918
Net loss for the year		**145,937**		298,341
Total comprehensive loss for the year		**145,954**		298,341
Loss per share based on loss for the year – basic and diluted		**1.07**		2.19
Total assets		**294,550**		443,619
Total liabilities		**82,400**		87,987
Equity		**212,150**		355,632

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

	Quarter ended (unaudited)			
	December 31, 2012	**September 30, 2012**	**June 30, 2012**	**March 31, 2012**
Net investment gains (losses)	**$ (44,729)**	**$ 26,330**	**$ (114,885)**	**$ (647)**
Net profit (loss) for the period	**(48,193)**	**22,899**	**(115,822)**	**(4,821)**
Total comprehensive income (loss) for the period	**(48,195)**	**22,878**	**(115,816)**	**(4,821)**
Earnings (loss) per share based on net profit (loss) for the period – basic and diluted	**(0.35)**	**0.17**	**(0.85)**	**(0.04)**
	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Net investment losses	$ (1,947)	$ (154,038)	$ (162,139)	$ (12,794)
Net loss for the period	(6,091)	(136,394)	(144,656)	(11,200)
Total comprehensive loss for the period	(6,082)	(136,392)	(144,654)	(11,213)
Loss per share based on net loss for the period – basic and diluted	(0.04)	(1.00)	(1.06)	(0.08)

Three Months Ended December 31, 2012 and 2011:

For the three months ended December 31, 2012, the Company generated net realized losses on disposal of investments of $11,151, as compared to $17,493 for the three months ended December 31, 2011.

For the three months ended December 31, 2012, the Company had a net change in unrealized losses on investments of $33,578 as compared to a net change in unrealized gains on investments of $15,546 for the three months ended December 31, 2011. Net change in unrealized losses for the three months ended December 31, 2012 was comprised of $33,354 from the write-down to market on the Company's investments and $224 from the reversal of previously recognized net unrealized gains on the disposal of investments. Of the net change in unrealized gains for the three months ended December 31, 2011, $12,136 was from the write-up to market on the Company's investments and $3,410 from the reversal of previously recognized net unrealized losses on the disposal of investments during the three months ended December 31, 2011.

For the three months ended December 31, 2012, other income totalled $205 as compared to $324 for the three months ended December 31, 2011. Other income is comprised of interest and dividend income of $31 (three months ended December 31, 2011 - $23) and $147 (three months ended December 31, 2011 – $167) from consulting fees, rental income, and other fees and $27 from securities lending revenue (three months ended December 31, 2011 - $134).

Operating, general and administrative expenses for the three months ended December 31, 2012 decreased to $2,506 from $3,535 for the three months ended December 31, 2011. A breakdown of operating, general and administrative expenses for the indicated three month periods ended December 31 is set out below. Details of the changes between periods follow the table:

	2012	2011
Salaries, bonuses, and other employment benefits	**$ 627**	$ 644
Professional fees	**380**	347
Stock-based compensation expense (a)	**321**	1,022
Transaction costs (b)	**235**	556
Other office and general	**200**	131
Consulting and directors' fees	**151**	193
Operating lease payments	**148**	141
Travel and promotion (c)	**141**	220
Transfer agent, filing fees, and other information systems	**127**	159
Exploration and evaluation expenditures (d)	**104**	34
Amortization	**79**	68
Foreign exchange loss	**(7)**	20
	$ 2,506	$ 3,535

(a) Stock-based compensation expense decreased by $701 as compared to the three months ended December 31, 2011. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. The decrease in the current period resulted from a fewer number of stock options granted.

(b) Transaction costs decreased by $321 as compared to the three months ended December 31, 2011, due to a decrease in the volume of trading conducted by the Company. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments. The Company evaluates its commission structure with its brokers on an on-going basis to minimize its transaction costs.

(c) Travel and promotion decreased by $79 as compared to the three months ended December 31, 2011, as a result of a decrease in travel relating to the Company's investment activities.

(d) In June 2010, the Company, through a consortium, was awarded an offshore petroleum license in Israel (the "Samuel License"). Pinetree has a 10% interest in the Samuel License. During the three months ended December 31, 2012, the Company expensed $104 relating to the expenditures on the property.

Finance expense decreased to $1,911 in the three months ended December 31, 2012 as compared to $1,934 in the three months ended December 31, 2011. The decrease was primarily attributable to a decrease in interest expense on margin borrowings.

The Company recorded an income tax benefit in the three months ended December 31, 2012 of $748 as compared to $1,001 in the three months ended December 31, 2011. The income tax benefit in the current period was a result of a decrease in the accrual of income tax payable while in the prior year period it was primarily due to an increase in the excess of tax cost over fair value of investments held at the end of the period.

Net loss for the three months ended December 31, 2012 was $48,193 ($0.35 per share) as compared to a net loss of $6,091 ($0.04 per share) for the three months ended December 31, 2011.

For the three months ended December 31, 2012, the Company had an exchange loss on translation of foreign operations of $2 as compared to an exchange gain of $9 for the three months ended December 31, 2011. As a result, total comprehensive loss for the three months ended December 31, 2012 was $48,195 as compared to $6,082 for the three months ended December 31, 2011.

Year ended December 31, 2012 and 2011:

For the year ended December 31, 2012, the Company generated net realized losses on disposal of investments of $38,708, as compared to generating net realized gains on disposal of investments of $94,779 for the year ended December 31, 2011.

For the year ended December 31, 2012, the Company had a net change in unrealized losses on investments of $95,223 as compared to $425,697 for the year ended December 31, 2011. Net change in unrealized losses for the year ended December 31, 2012 was comprised of $128,113 from the write-down to market on the Company's investments offset by $32,890 from the reversal of previously recognized net unrealized losses on the disposal of investments. Of the net change in unrealized losses for the year ended December 31, 2011, $311,497 was from the write-down to market on the Company's investments and $114,200 from the reversal of previously recognized net unrealized gains on the disposal of investments during the year ended December 31, 2011.

For the year ended December 31, 2012, other income totalled $1,404 as compared to $1,840 for the year ended December 31, 2011. Other income is comprised of interest and dividend income of $534 (2011 - $154) and $589 (2011 – $612) from consulting fees, rental income, and other fees and $281 from securities lending revenue (2011 - $1,074). Interest and dividend income is earned on certain of the Company's investments.

Operating, general and administrative expenses for the year ended December 31, 2012 decreased to $12,262 from $13,816 for the year ended December 31, 2011. A breakdown of operating, general and administrative expenses for the indicated year ended December 31 is set out below. Details of the changes between periods follow the table:

	2012	2011
Salaries, bonuses, and other employment benefits (a)	**$ 2,613**	$ 2,425
Stock-based compensation expense (b)	**2,516**	4,287
Transaction costs (c)	**1,476**	2,306
Exploration and evaluation expenditures (d)	**1,286**	695
Other office and general	**884**	958
Consulting and directors' fees	**790**	782
Professional fees	**734**	685
Transfer agent, filing fees, and other information systems	**693**	755
Operating lease payments	**525**	479
Travel and promotion (e)	**419**	578
Amortization	**277**	235
Foreign exchange loss (gain) (f)	**49**	(141)
Change in fair value of Class C preferred shares	**-**	(228)
	$ 12,262	$ 13,816

(a) Salaries, bonuses, and other employment benefits increased by $188 as compared to the year ended December 31, 2011, due to an annual increase in salaries.

(b) Stock-based compensation expense decreased by $1,771 as compared to the year ended December 31, 2011. Stock-based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. The decrease in the current period resulted from a fewer number of stock options granted.

(c) Transaction costs decreased by $830 as compared to the year ended December 31, 2011, due to a decrease in the volume of trading conducted by the Company. Transaction costs arise from purchases and dispositions of investments through brokers, which are expensed immediately in accordance with the Company's accounting policy for investments. The Company evaluates its commission structure with its brokers on an on-going basis to minimize its transaction costs.

(d) In June 2010, the Company, through a consortium, was awarded an offshore petroleum license in Israel (the "Samuel License"). Pinetree has a 10% interest in the Samuel License. During the year ended December 31, 2012, the Company expensed $1,286 relating to the expenditures on the property, an increase of $591 as compared to the year ended December 31, 2011.

(e) Travel and promotion decreased by $159 as compared to the year ended December 31, 2011, as a result of a decrease in travel relating to the Company's investment activities.

(f) Foreign exchange loss increased by $190 on foreign denominated net assets as compared to the year ended December 31, 2011. The net foreign exchange loss for the current year arose due to the increase in the value of the Canadian dollar versus the U.S. and Australian dollar, which decreased the Canadian dollar equivalent value of the Company's foreign currency denominated assets.

Finance expense increased to $7,605 in the year ended December 31, 2012 as compared to $5,248 in the year ended December 31, 2011. The increase was primarily attributable to $7,368 of interest expense and amortized finance costs for a full year in respect of the $75,000 principal amount of 8% convertible unsecured subordinated debentures ("Debentures") which were issued by Pinetree in May 2011, as compared to $4,536 for the year ended December 31, 2011. Interest expense on margin borrowings and other decreased by $460 to $174 as compared to $634 for the year ended December 31, 2011, due to a decrease in margin borrowings.

The Company recorded an income tax benefit in the year ended December 31, 2012 of $6,457 as compared to $49,801 in the year ended December 31, 2011. The income tax benefit in both periods was primarily due to an increase in the excess of tax cost over fair value of investments held at the end of the respective years. In the year ended December 31, 2012 the income tax benefit was reduced by $1,881 due to current tax expense for estimated corporate minimum tax payable.

Net loss for the year ended December 31, 2012 was $145,937 ($1.07 per share) as compared to $298,341 ($2.19 per share) for the year ended December 31, 2011.

For the year ended December 31, 2012, the Company had an exchange loss on translation of foreign operations of $17 as compared to nil for the year ended December 31, 2011. As a result, total comprehensive loss for the year ended December 31, 2012 was $145,954 as compared to $298,341 for the year ended December 31, 2011.

Cash Flow:

Net cash generated in operating activities was $376 in the year ended December 31, 2012 as compared to net cash used of $70,572 in the year ended December 31, 2011. During the year ended December 31, 2012, the Company had proceeds from disposition of investments of $156,490, a decrease of $168,516, when compared to $325,006 of proceeds from dispositions in the year ended December 31, 2011. In the year ended December 31, 2012, the Company purchased $132,932 of investments, a decrease of $151,640 as compared to $284,572 of investment purchases in the year ended December 31, 2011. In the year ended December 31, 2012, the Company repaid $9,903 in margin borrowings from brokers as compared to $66,792 in the year ended December 31, 2011.

In the year ended December 31, 2012, the Company had no financing activities as compared to generating cash of $70,987 in the year ended December 31, 2011. In the year ended December 31, 2011, the Company received net proceeds of $70,912 from the issue of the Debentures and received proceeds of $231 from the exercise of stock options and the Company also used $156 to buy back 100,000 of its common shares under the normal course issuer bid.

In the year ended December 31, 2012, net cash used in investing activities was $325 as compared to $371 in the year ended December 31, 2011. In the year ended December 31, 2012 and 2011, the investing activities relate to the purchases of property, plant and equipment.

For the year ended December 31, 2012, the Company had a net increase in cash and cash equivalents of $51 as compared to $44 for the year ended December 31, 2011. For the year ended December 31, 2012, the Company also had a loss from the exchange difference on the translation of foreign operations of $17 as compared to nil for the year ended December 31, 2011. As a result, as at December 31, 2012, the Company had a cash and cash equivalents balance of $236 as compared to $202 as at December 31, 2011.

Liquidity and Capital Resources:

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

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

During the year, Pinetree had a $25,000 credit facility (the "Credit Facility") provided by the CEO. The Credit Facility had a standby fee of 0.25% per annum on the undrawn portion of the Credit Facility calculated daily and payable monthly in arrears. As at December 31, 2012 and 2011, there was nil outstanding under the Credit Facility. The Credit Facility expired on December 31, 2012.

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

During the three months ended December 31, 2012, the terms of the Debentures were amended to create additional debt incurrence and maintenance covenants which limit the Company's aggregate debt-to-assets ratio to 33%. The Company's ability to comply with the debt covenants, at any point in time, as a function of the value of either or both of Pinetree's assets and debt, is not completely within the Company's control. For example, market conditions affecting the junior resource space have resulted in significant declines in the value of Pinetree's investment portfolio over the last financial year, which, if they persist, will further erode the debt covenant ratio. In order to manage the Company's default risk, the Company actively monitors the debt covenant ratio and considers opportunities available to reduce outstanding debt and increase the Company's asset base.

As at December 31, 2012, and the date of this MD&A, the Company was in compliance with the terms of the Debentures. A default by the Company in the performance of the debt covenants (or the other covenants to which the Company is subject in respect of the Debentures), which is not cured within the requisite time period, could result in the principal amount of the Debentures and accrued interest becoming immediately due and payable by Pinetree. The Company's ability to generate sufficient funds to satisfy an acceleration of the Company's payment obligations under the Debentures will depend upon the realization of proceeds from the sale of investments and/or the availability of alternative sources of cash at the time, neither of which is within the Company's control.

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

Consolidated Statements of financial position Highlights	**December 31, 2012**	December 31, 2011
Investments at fair value	**$ 270,180**	$ 427,669
Total assets	**294,550**	443,619
Total liabilities	**82,400**	87,987
Share capital, warrants and broker warrants, contributed surplus, equity component of convertible debentures and foreign currency translation reserve	**383,376**	380,921
Deficit	**(171,226)**	(25,289)
NAV per share – Basic (i)	**$ 1.55**	$ 2.61
NAV per share – Diluted(i)	**$ 1.21**	$ 1.89

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

Liabilities:

As at December 31, 2012, total liabilities decreased to $82,400 as compared to $87,987 as at December 31, 2011, a 6% decrease primarily due to a decrease in due to brokers (margin owing).

As at December 31, 2012, the Company had due to brokers of $8,875 as compared to $18,778 as at December 31, 2011, a decrease of $9,903. Due to brokers consists of margin borrowings collateralized by the Company's investments held at brokers. In the normal course of business, the Company utilizes the margin borrowings to finance its investment activities. Interest is charged on the daily outstanding balance at a rate equal to the broker's overnight rate plus 0.40%. During the year ended December 31, 2012, the Company significantly reduced its amounts due to brokers by 53%.

As at December 31, 2012, the Company has a carrying value of $69,207 in Debentures ($75,000 principal amount). As at December 31, 2012, included in accounts payable and accrued liabilities was $508 of accrued interest in respect of the Debentures. The next interest payment in respect of the Debentures is due on May 31, 2013.

As at December 31, 2012, accounts payable and accrued liabilities increased by $1,067 to $2,437 as compared to $1,370 as at December 31, 2011. The increase was primarily due to $1,117 owing to an investee company for the exercise of warrants which were going to expire on December 31, 2012.

As at December 31, 2012, also included in accounts payable and accrued liabilities are Class C preferred share liabilities of $240 (2011 - $241). 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. During the year ended December 31, 2012, $19 (2011 - $19) in dividends were declared and paid on the Class C Shares.

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, 2012, the redemption price was $10 per share and the retraction price in effect was $5.11 per share (2011 - $7.87 per share). During the year ended December 31, 2012, 100 Class C Shares (2011 - 3,400) were cancelled by PCIC following their retraction by the holders at $4.70 per share (2011 - prices of between $7.49 per share and $21.22 per share) plus accrued and unpaid dividends. As at December 31, 2012, 24,000 Class C Shares (2011 – 24,100 Class C Shares) were issued and outstanding.

As at December 31, 2012, the Company had recorded an estimated income tax payable of $1,881 (nil as at December 31, 2011). The income tax payable recorded as at December 31, 2012 may differ from the actual amount due for the year ended December 31, 2012 when the Company files its tax returns.

Commitments:

As at December 31, 2012 the Company had material commitments for cash resources of $115,877 (2011 - $130,391) which are detailed below. The disposition of the Company's investments in the normal course would be sufficient to pay these material commitments.

A breakdown of the Company's liabilities and obligations as at December 31, 2012 is as follows:

	Payments due by period				
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Due to brokers	**$ 8,875**	**$ 8,875**	**$ -**	**$ -**	**$ -**
Accounts payable and accrued liabilities	**2,437**	**2,437**	**-**	**-**	**-**
Investment commitments	**100**	**100**	**-**	**-**	**-**
Income taxes payable	**1,881**	**1,881**	**-**	**-**	**-**
Debentures (principal amount)	**75,000**	**-**	**75,000**	**-**	**-**
Interest on Debentures	**21,000**	**6,508**	**14,492**	**-**	**-**
Lease commitments	**6,584**	**590**	**1,770**	**1,159**	**3,065**
	$ 115,877	**$ 20,391**	**$ 91,262**	**$ 1,159**	**$ 3,065**

In addition, as at December 31, 2012, the Company had commitments to issue 7,372,097 common shares of the Company in exchange for certain investments totaling $6,400.

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

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

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

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

During the year ended December 31, 2011, the Company renewed its lease commitment for its premises starting August 1, 2011 for annual payments of approximately $583 ($49 monthly) until July 31, 2017 and approximately $613 ($51 monthly) until December 31, 2023. The Company also has consulting agreements with officers and a director representing fees payable of approximately $30 per month.

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

Related Party Transactions:

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

(a) Related party transactions were as follows during the year ended December 31:

Type of service	**Nature of relationship**	**2012**	2011
Salaries, consulting fees and other benefits	Officers	**$ 1,405**	$ 1,563
Director fees	Directors	**130**	151
Stock-based compensation expense	Directors and officers	**1,811**	3,239
Finance expense (i)	Officer	**63**	78

(i) The Company had a Credit Facility with the CEO which expired December 31, 2012. Included in the consolidated statements of comprehensive loss is $63 (2011 - $78) of standby fee expense relating to the Credit Facility. As at December 31, 2012 and 2011, there was nil outstanding under the Credit Facility.

(b) In May 2011, the Company issued $75,000 principal amount of 8% convertible unsecured subordinated debentures maturing May 31, 2016. Of the $75,000 principal amount of convertible debentures, $1,425 was issued to directors and officers of the Company.

(c) During the year ended December 31, 2012, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 30, 2012	100,000	$ 1.38	March 29, 2017
May 31, 2012	250,000	0.88	May 30, 2017
August 31, 2012	400,000	0.90	August 30, 2017
November 30, 2012	1,050,000	0.89	November 29, 2017
Total granted	1,800,000		

During the year ended December 31, 2011, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 31, 2011	1,170,000	$ 3.17	March 30, 2016
May 31, 2011	250,000	2.93	May 30, 2016
August 31, 2011	250,000	1.92	August 30, 2016
November 30, 2011	1,350,000	1.61	November 30, 2016
Total granted	3,020,000		

Off-Balance Sheet Arrangements:

As previously discussed, as at December 31, 2012, the Company had commitments to issue 7,372,097 common shares of the Company in exchange for certain investments totaling $6,400 (2011 – nil).

The non-cash commitments were with five investee companies and the transactions are subject to regulatory approvals and can be terminated by mutual written agreement. All of the securities issued will be subject to a hold period of four months from the closing date of the transactions.

Internal Controls over Financial Reporting:

Disclosure Controls and Procedures

The Company is required annually to review and report on the effectiveness of its disclosure controls and procedures ("DC&P") in accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", ("NI 52-109") issued by the Canadian Securities Administrators. NI 52-109 requires a Chief Executive Officer 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 December 31, 2012 and have concluded that the DC&P were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

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

Internal Controls over Financial Reporting

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

The design and operating effectiveness of the Company's ICFR were evaluated by 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 December 31, 2012. The CEO and CFO have evaluated the ICFR as at December 31, 2012. 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 GAAP.

There were no changes in the Company's ICFR that occurred during the three months and year ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

Management of Capital:

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

		2012		2011
Due to brokers	$	**8,875**	$	18,778
Convertible debentures, due May 31, 2016		**69,207**		67,839
Equity comprised of:				
Share capital		**276,797**		276,797
Warrants and broker warrants		**9,762**		66,524
Contributed surplus		**94,018**		34,740
Equity component of convertible debentures		**2,838**		2,882
Foreign currency translation reserve		**(39)**		(22)
Deficit		**(171,226)**		(25,289)
	$	**290,232**	$	442,249

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, the risk characteristics of its underlying assets and the debt covenants to which it is subject under the Debentures. There were no changes to the Company's objectives in managing and maintaining capital during the year ended December 31, 2012.

The Company's objectives when managing capital are:

(a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers, bank, and Debentures;

(b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;

(c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

(d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(a) realizing proceeds from the disposition of its investments;

(b) utilizing or reducing leverage in the form of margin (due to brokers) and the Company's bank credit line (bank indebtedness);

(c) raising capital through equity and debt financings; and

(d) utilizing a Credit Facility from the CEO (expired as at December 31, 2012).

The Company is not subject to any capital requirements imposed by a regulator. When using margin for its investing activities, however, Pinetree is subject to the margin requirements applicable thereto, which can require, at any time and from time to time, that the Company provide additional funds to its brokers, depending on the then-value of its investments purchased on margin. The Company's convertible debentures are also subject to certain covenants, including maintenance of certain financial ratios, restrictions on redemption, and restrictions on the prepayment and payment of interest on such convertible debentures.

The Company has an operating line of credit with its bank, Royal Bank of Canada ("RBC") for $250. The operating line of credit bears interest at RBC's prime rate plus 0.75%, collateralized by the Company's assets, and is due on demand. As at December 31, 2012 and 2011, the Company had nil outstanding on the line of credit.

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its common shares. However, the holders of the Class C Shares issued by PCIC are entitled to receive cumulative dividends at a rate of 8% per annum. During the year ended December 31, 2012, PCIC declared and paid to Class C shareholders dividends totaling $19 (2011 - $19).

The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2012.

Risk Management:

<u>Financial Instrument Risk:</u>

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

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

The details of the security lending arranging positions are as follows as at December 31:

	2012	2011
Investments at fair value lent under SLA – carrying amount	**$ 717**	$ 5,860
Fair value of collateral held for investments lent under SLA	**969**	5,901

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

(a) Liquidity risk:

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

The Company uses varying levels of financial leverage (or "margin") when purchasing investments, subject to the Company's Debenture debt covenants. Trading on margin allows the Company to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows the Company to increase its portfolio size by increasing the number and amount of investments through the use of leverage.

However, if the market moves against the Company's positions and the Company's investments decline in value, the Company may be required to provide additional funds to its brokers, which could be substantial. Given the nature of the Company's business, the Company may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy the Company's obligations. Furthermore, if the Company is unable to provide the necessary funds within the time required, the Company's marginable investments may be involuntarily liquidated at a loss by its brokers to meet the obligations (and the Company may still be required to make up any additional shortfall in funds thereafter). The Company has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Company's investments in order to meet margin calls could have a materially adverse impact on the Company's operating results.

There were no changes to the way the Company manages liquidity risk since December 31, 2011. The Company manages liquidity risk by reviewing the amount of margin available on a daily basis and its Debenture debt covenants, and managing its cash flow given its daily margin availability. The Company holds investments which can be converted into cash when required.

As at December 31, 2012, the Company had used margin of $8,875 and had additional margin available of $10,636. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2012.

Percentage of change in closing bid price	**Margin available with a % increase in closing bid price**	**Margin available with a % decrease in closing bid price**
2%	**$ 11,555**	**$ 10,754**
4%	**11,956**	**10,353**
6%	**12,356**	**9,953**
8%	**12,757**	**9,552**
10%	**13,157**	**9,152**

As at December 31, 2011, the Company had used margin of $18,778 and had additional margin available of $16,180. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2011.

Percentage of change in closing bid price	Margin available with a % increase in closing bid price	Margin available with a % decrease in closing bid price
2%	$ 16,879	$ 15,480
4%	17,578	14,781
6%	18,277	14,082
8%	18,976	13,383
10%	19,675	12,684

The following table shows the Company's liabilities on the consolidated statement of financial position and potential due dates related to liquidity risk as at December 31, 2012:

	Payments due by period				
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Due to brokers	**$ 8,875**	**$ 8,875**	**$ -**	**$ -**	**$ -**
Accounts payable and accrued liabilities	**2,437**	**2,437**	**-**	**-**	**-**
Income taxes payable	**1,881**	**1,881**	**-**	**-**	**-**
Convertible debentures, due May 16, 2016	**69,207**	**-**	**69,207**	**-**	**-**
	$ 82,400	**$ 13,193**	**$ 69,207**	**$ -**	**$ -**

The following table shows the Company's liabilities on the consolidated statement of financial position and potential due dates related to liquidity risk as at December 31, 2011:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	$ 18,778	$ 18,778	$ -	$ -	$ -
Accounts payable and accrued liabilities	1,370	1,370	-	-	-
Convertible debentures, due May 16, 2016	67,839	-	-	67,839	-
	$ 87,987	$ 20,148	$ -	$ 67,839	$ -

The following table shows the Company's source of liquidity by assets as at December 31, 2012:

Assets	**Liquidity by period**				
	Total	**Less than 1 year**	**1 – 3 years**	**After 4 years**	**Non-liquid assets**
Cash and cash equivalents	**$ 236**	**$ 236**	**$ -**	**$ -**	**$ -**
Investments at fair value	**270,180**	**246,765**	**23,415**	**-**	**-**
Prepaids and other receivables	**227**	**46**	**-**	**-**	**181**
Property, plant and equipment	**860**	**-**	**-**	**-**	**860**
Deferred tax assets	**23,047**	**-**	**-**	**-**	**23,047**
	$ 294,550	**$ 247,047**	**$ 23,415**	**$ -**	**$ 24,088**

The following table shows the Company's source of liquidity by assets as at December 31, 2011:

Assets	Liquidity by period				
	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash and cash equivalents	$ 202	$ 202	$ -	$ -	$ -
Investments at fair value	427,669	398,593	29,076	-	-
Prepaids and other receivables	183	21	-	-	162
Property, plant and equipment	812	-	-	-	812
Deferred tax assets	14,753	-	-	-	14,753
	$ 443,619	$ 398,816	$ 29,076	$ -	$ 15,727

(b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Additionally, in accordance with IFRS 9, Pinetree is required to fair value its investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position.

There were no changes to the way the Company manages market risk since December 31, 2011. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the natural resource industry: precious metals, base metals, oil and gas, potash, lithium and rare earths, uranium, and coal.

The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required. During periods of significantly broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2012 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2012:

Percentage of change in closing bid price	**Decrease in loss from % increase in closing bid price**	**Increase in loss from % decrease in closing bid price**
2%	**$ 4,688**	**$ (4,688)**
4%	**9,375**	**(9,375)**
6%	**14,063**	**(14,063)**
8%	**18,750**	**(18,750)**
10%	**23,438**	**(23,438)**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2011 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2011:

Percentage of change in closing bid price	Decrease in loss from % increase in closing bid price	Increase in loss from % decrease in closing bid price
2%	$ 7,431	$ (7,431)
4%	14,861	(14,861)
6%	22,292	(22,292)
8%	29,723	(29,723)
10%	37,154	(37,154)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's profit and liabilities. As at December 31, 2012, the Company had due to brokers (margin) which bears interest at rates fluctuating with the prime rate or overnight lending rate.

The Company's obligations under the Credit Facility and convertible debentures bear interest at a fixed rate.

Due to brokers and the Credit Facility (if any) can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The convertible debentures are due May 31, 2016. There were no changes to the way the Company manages interest rate risk since December 31, 2011. Pinetree does not hedge against any interest rate risk.

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2012 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2012:

Change in interest rate	**Increase in loss from an increase in interest rate**	**Decrease in loss from a decrease in interest rate**
0.25%	**$ (25)**	**$ 25**
0.50%	**(51)**	**51**
0.75%	**(76)**	**76**
1.00%	**(102)**	**102**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2011 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2011:

Change in interest rate	Increase in loss from an increase in interest rate	Decrease in loss from a decrease in interest rate
0.25%	$ (96)	$ 96
0.50%	(192)	192
0.75%	(289)	289
1.00%	(385)	385

(d) Currency risk:

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

The Company may have margin borrowings or financial instruments denominated in U.S. dollars, Australian dollars, British pounds, and Israeli shekels. 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 the Company manages currency risk since December 31, 2011. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency exposure, although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments.

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

		2012		2011
Denominated in U.S. dollars:				
Investments	**$**	**5,424**	$	5,406
Cash and cash equivalents		**34**		11
Prepaids and other receivables		**23**		16
Due to brokers		**(1,450)**		(542)
Accounts payable and accrued liabilities		**(27)**		(21)
Net assets denominated in U.S. dollars		**4,004**		4,870
Denominated in Australian dollars:				
Investments		**7,860**		18,682
Due from brokers		**1,118**		64
Net assets denominated in Australian dollars		**8,978**		18,746
Denominated in British pounds:				
Investments		**1,158**		1,286
Due from brokers		**421**		329
Net assets denominated in British pounds		**1,579**		1,615
Denominated in Israeli shekels:				
Investments		**6**		18
Net assets denominated in Israeli shekels		**6**		18

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2012 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2012:

Percentage of change in U.S. dollar		**Decrease in loss from an increase in % in the U.S. dollar exchange rate**		**Increase in loss from a decrease in % in the U.S. dollar exchange rate**
2%	**$**	**58**	**$**	**(58)**
4%		**118**		**(118)**
6%		**177**		**(177)**
8%		**235**		**(235)**
10%		**294**		**(294)**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2012 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2012:

Percentage of change in Australian dollar	**Decrease in loss from an increase in % in the Australian dollar exchange rate**	**Increase in loss from a decrease in % in the Australian dollar exchange rate**
2%	**$ 132**	**$ (132)**
4%	**264**	**(264)**
6%	**396**	**(396)**
8%	**528**	**(528)**
10%	**660**	**(660)**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2011 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2011:

Percentage of change in U.S. dollar	Decrease in loss from an increase in % in the U.S. dollar exchange rate	Increase in loss from a decrease in % in the U.S. dollar exchange rate
2%	$ 72	$ (72)
4%	144	(144)
6%	215	(215)
8%	287	(287)
10%	359	(359)

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2011 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2011:

Percentage of change in Australian dollar	Decrease in loss from an increase in % in the Australian dollar exchange rate	Increase in loss from a decrease in % in the Australian dollar exchange rate
2%	$ 277	$ (277)
4%	553	(553)
6%	830	(830)
8%	1,106	(1,106)
10%	1,383	(1,383)

(e) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities (in connection with securities lending and convertible or debt securities, for example) will not perform their underlying obligations. There were no changes to the way the Company manages credit risk since December 31, 2011.

The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. As at December 31, 2012, the total fair value of these investments was $2,406 (2011 - $844). The Company believes it is not significantly exposed to credit risk as these investments comprise 0.9% (2011 – 0.2%) of the Company's total investments.

The Company entered into a securities lending agreement with its prime broker in order to earn additional revenue, which is included in other income in the consolidated statement of comprehensive loss. The Company receives collateral in an amount equal to the percentage of the market value of the loaned securities as agreed upon with the prime broker. The securities on loan continue to be included in investments on the consolidated statement of financial position. The Company believes it is not significantly exposed to credit risk since the prime broker is required to pay the Company the fair value of the securities loaned if the securities are not returned upon the Company's request. As at December 31, 2012, the total fair value of investments loaned to third parties was $717 (2011 - $5,860), which comprise 0.3% (2011 – 1.4%) of the Company's total investments.

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 us, or that we currently believe to be immaterial, may also affect and negatively impact our 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 natural resource industry, with a current focus on the uranium and coal, oil and gas, base metals and precious metals sectors. There are various factors that could affect these sectors which could have a negative impact on Pinetree's portfolio companies and thereby have an adverse effect on our business. Additionally, Pinetree's investments are mostly in small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows but which may not ever mature or generate the returns the Company expects or may require a number of years to do so.

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

(b) Restrictive Debt Covenants:

The convertible debenture indenture which governs the Company's outstanding Debentures contains certain restrictions which limit our ability to incur additional indebtedness and require the Company to maintain existing indebtedness at levels not in excess of a fixed percentage of the value of our consolidated assets. These restrictions may limit our ability to take advantage of business opportunities as they arise. More importantly, the Company's ability to comply with the covenants has been and may continue to be affected by changes in economic or business conditions or other events beyond the Company's control. A breach of these covenants by the Company could result in a default under the indenture in circumstances where the aggregate amount of the principal and interest on the Debentures becomes due and payable by Pinetree. Pinetree's ability to make these accelerated payments will be dependent upon its cash resources at the time, its ability to generate sufficient proceeds from its investment portfolio and its access to alternative sources of funds. Accordingly, the inability of Pinetree to comply with the debt covenants could have a materially adverse effect on the Company and its financial condition.

(c) Cash Flows/Revenue:

Pinetree generates revenue and cash flows primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on the Company's investments. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to Pinetree, or if the value of the Company's investments decline, resulting in lesser proceeds of disposition and capital losses for Pinetree upon disposition.

(d) 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.

(e) Share Prices of Investments:

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

(f) Concentration of Investments:

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

(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 the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's continued success will depend upon the continued service of these individuals who are not obligated to remain employed with Pinetree. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm the Company's ability to maintain or grow existing assets and raise additional funds in the future.

(h) Additional Financing Requirements:

Pinetree anticipates ongoing requirements for funds to support the Company's growth and may seek to obtain additional funds for these purposes through public or private equity shares or debt financing. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any additional debt financing may result in increased interest expense or restrictions on our operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investment portfolio.

(i) Management of our Growth:

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

(j) Exchange Rate Fluctuations:

A significant portion of Pinetree's portfolio is invested in Australian and 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.

(k) Securities Lending:

As previously discussed under Credit Risk, the Company has a securities lending agreement ("SLA") with one of its prime brokers. Under the SLA, the Company has the option of lending its securities held at the broker when requested by a third party. There is a risk that the securities loaned under the SLA may not be returned to the Company, however, the prime broker assumes all of the risk and is required to return the securities to the Company or cash equivalent to its fair market value. If the cash equivalent is paid to the Company, the Company may not be able to repurchase the equivalent securities in the market.

Outstanding Share Data:

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

As at March 8, 2013, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Pinetree are as follows:

Common shares	Number
Outstanding	143,819,370
Issuable under options	12,579,400
Issuable under warrants	8,638,650
Issuable under conversion of Debentures	17,647,059
Total diluted common shares	**182,684,479**

Additional information about the Company's share capital can be found in note 10 of the Notes to the consolidated financial statements as at and for the year ended December 31, 2012.

As at December 31, 2012, the Company has a normal course issuer bid ("NCIB") in effect for its Debentures. Pursuant to the terms of the NCIB, and in accordance with the policies of the TSX, during the period commencing May 18, 2012 and ending on May 17, 2013, the Company may purchase up to $3,750 principal amount of Debentures, representing up to 5% of the Debentures outstanding as at May 18, 2012. During the year ended December 31, 2012, no Debentures were purchased under the NCIB.

Segmented Information:

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

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

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, 2012.

Changes in Accounting Policies:

There were no changes to the Company's accounting policies since December 31, 2011. Details of the Company's significant accounting policies can be found in Note 3 and future accounting changes can be found in Note 18 to the Company's annual consolidated financial statements as at and for the year ended December 31, 2012. The Company is currently assessing what impact, if any, the application of the new standards or amendments (as disclosed in Note 18 to the Company's annual consolidated financial statements as at and for the year ended December 31, 2012) will have on the consolidated financial statements.

Critical Accounting Estimates:

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

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

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

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

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

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 December 31, 2012, management determined, based upon the Company's historical level of taxable income and historical market trends of a comparable market index that it believed that it was probable that the Company will generate sufficient taxable income to realize a portion of the tax benefits of the temporary tax deductible differences during the next several years. As such, the Company has recorded deferred tax assets of $23,047 as at December 31, 2012 (2011- $14,753). The full deferred tax asset was $38,563 (2011 - $14,753).

Stock-based Compensation Expense/Warrants and Broker Warrants:

The Company uses the Black-Scholes option pricing model ("B-S") to calculate stock-based compensation expense and the value of warrants and broker warrants issued as part of the Company's private placements. The B-S requires six key inputs to determine a value for an option, warrant or broker warrant: risk free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the option or a higher volatility number used would result in an increase in stock-based compensation expense. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense.

The following table summarizes stock options granted during the year ended December 31, 2012:

Date Granted	Options Granted	Exercise Price	Expiry
March 30, 2012	100,000	$ 1.38	March 29, 2017
May 31, 2012	250,000	0.88	May 30, 2017
August 31, 2012	400,000	0.90	August 30, 2017
November 30, 2012	1,605,000	0.89	November 29, 2017
Total granted	2,355,000		

The fair value of the options granted during the year ended December 31, 2012 was estimated at the date of grant using the following assumptions:

Black-Scholes option valuation model assumptions used (weighted average)	
Expected volatility (i)	**64.4%**
Expected dividend yield	**0.0%**
Risk-free interest rate	**1.2%**
Expected option life in years	**3.1**
Expected forfeiture rate	**3.6%**
Fair value per stock option granted on March 30, 2012	**$ 0.74**
Fair value per stock option granted on May 31, 2012	**$ 0.41**
Fair value per stock option granted on August 31, 2012	**$ 0.40**
Fair value per stock option granted on November 30, 2012	**$ 0.38**

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

Effective interest rate of convertible debentures

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

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

Valuation of Unlisted Warrants of Public Companies:

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

Use of Non-GAAP Financial Measures:

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

Additional Information:

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