



Management's Discussion and Analysis

For the Quarter Ended: September 30, 2013

Date of Report: November 7, 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 unaudited interim condensed consolidated financial statements ("interim consolidated statements") and notes thereto as at and for the three and nine months ended September 30, 2013. The same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2012, except for those described under the "Changes in Accounting Policies" section 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, our ability to repay amounts which may become due and payable on our convertible debentures following the occurrence of an event of default, 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, our ability to realize sufficient proceeds from the disposition of our investments in order to fund our obligations as they become due (which will be based upon market conditions beyond our control), 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:

As at September 30, 2013, the Company held investments at fair value totalling \$150,204 as compared to \$270,180 as at December 31, 2012, a decrease primarily attributable to increased unrealized losses on investments, as junior resource valuations continued to suffer from declining commodity prices. The Company continues to be cautiously optimistic that the capital markets will rebound and commodity prices and the junior resource stocks will increase over the next 24 months.

As at September 30, 2013, net asset value per share ("NAV per share") was \$0.85 as compared to \$1.55 as at December 31, 2012, a 45% 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:

	<u>NAV per share*</u>
September 30, 2013	\$ 0.85
June 30, 2013	0.76
March 31, 2013	1.20
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

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

During the nine months ended September 30, 2013, the Company repurchased for cancellation \$14,136 principal amount of its 8% convertible unsecured subordinated debentures due May 31, 2016 ("Debentures") pursuant to normal course issuer bids ("NCIB"), representing approximately 19% of the total principal amount of Debentures originally issued. An aggregate of \$60,864 principal amount of Debentures remains outstanding.

During the nine month period ended September 30, 2013, the Company was in default of one of the debt covenants contained in the convertible debenture indenture governing its Debentures, which prohibits Pinetree's total debt from exceeding 33% of the total value of its assets as at the last day of each month. The Debentures were the sole source of the Company's debt throughout the period and even though the debt levels were reduced through the NCIBs, declines in the value of Pinetree's investment portfolio resulted in the covenant breach. The default was cured within the time period permitted under the indenture, as a result of increases in the value of the Company's investment portfolio.

The covenant was amended on September 12, 2013 to increase the permissible debt-to-assets ratio to a maximum of 50%. The interest rate payable on the Debentures was also increased from 8% to 10% per annum. See "Liabilities" elsewhere in this MD&A for additional information concerning the amendments.

Investments:

Investments at cost and fair value consist of the following as at September 30, 2013 and December 31, 2012:

Sectors:	September 30, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Resources:				
Precious metals	\$ 289,932	\$ 65,467	\$ 306,531	\$ 145,169
Uranium	83,410	21,513	84,241	18,875
Base metals	122,660	19,376	128,016	31,075
Potash, lithium and rare earths	48,078	15,038	49,874	27,739
Oil and gas	56,008	11,241	72,637	30,433
Coal	5,181	909	5,156	2,140
Technology and other	39,223	16,660	38,072	14,749
Total investments	\$ 644,492	\$ 150,204	\$ 684,527	\$ 270,180

The following is the number of investments in each sector as at September 30, 2013 and December 31, 2012:

Resources:	September 30, 2013		December 31, 2012	
		<u>% of Total</u>		<u>% of Total</u>
Precious metals	183	48.4	189	47.8
Base metals	75	19.8	77	19.5
Oil and gas	32	8.5	36	9.1
Uranium	23	6.1	26	6.6
Potash, lithium and rare earths	23	6.1	25	6.3
Coal	6	1.6	7	1.8
Technology and other	36	9.5	35	8.9
	378	100.0	395	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. From time-to-time, an investment in a certain sector may be reallocated to a different sector due to a change in business or resource target.

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

As at September 30, 2013, included in total investments were securities of private companies with a fair value totalling \$21,358 (14% of total fair value of the Company's investments; cost of \$27,188). 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). The fair value of private companies declined due to some

investments being reclassified as a result of becoming listed on a stock exchange or shares of the private company were repurchased offset by purchases of private 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.

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 interim consolidated statements as at and for the three and nine months ended September 30, 2013 for other details about the Company's investments. A detailed list of Pinetree's investments as at September 30, 2013 can be found on Pinetree's website at www.pinetreecapital.com.

Results of Operations:

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

	Quarter ended (unaudited)			
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Net investment gains (losses)	\$ 9,029	\$ (61,555)	\$ (42,342)	\$ (44,729)
Net profit (loss) for the period	12,828	(62,937)	(46,986)	(48,193)
Total comprehensive income (loss) for the period	12,827	(62,936)	(46,984)	(48,195)
Earnings (loss) per share based on net profit (loss) for the period – basic	0.09	(0.44)	(0.33)	(0.35)
Earnings (loss) per share based on net profit (loss) for the period – diluted	0.04	(0.44)	(0.33)	(0.35)
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Net investment gains (losses)	\$ 26,330	\$ (114,885)	\$ (647)	\$ (1,947)
Net profit (loss) for the period	22,899	(115,822)	(4,821)	(6,091)
Total comprehensive income (loss) for the period	22,878	(115,816)	(4,821)	(6,082)
Earnings (loss) per share based on net profit (loss) for the period – basic	0.17	(0.85)	(0.04)	(0.04)
Earnings (loss) per share based on net profit (loss) for the period – diluted	0.14 (i)	(0.85)	(0.04)	(0.04)

- (i) The diluted earnings per common share based on net profit for the three months ended September 30, 2012 has been restated to reflect the dilutive impact of the convertible debentures.

Three Months Ended September 30, 2013 and 2012:

For the three months ended September 30, 2013, the Company generated net realized losses on disposal of investments of \$11,744, as compared to \$23,176 for the three months ended September 30, 2012.

For the three months ended September 30, 2013, the Company had a net change in unrealized gains on investments of \$20,773 as compared to \$49,506 for the three months ended September 30, 2012. Net change in unrealized gains for the three months ended September 30, 2013 was comprised of \$8,360 from the write-up to market on the Company's investments and by \$12,413 from the reversal of previously recognized net unrealized losses on the disposal of investments. Of the net change in unrealized gains for the three months ended September 30, 2012, \$28,211 was from the write-up to market on the Company's investments and by \$21,295 from the reversal of previously recognized net unrealized losses on the disposal of investments during the three months ended September 30, 2012.

For the three months ended September 30, 2013, other income totalled \$9,749 as compared to \$530 for the three months ended September 30, 2012. Other income is comprised of interest and dividend income of \$62 (three months ended September 30, 2012 - \$334), \$146 (three months ended September 30, 2012 - \$146) from consulting fees and rental income, \$19 from securities lending revenue (three months ended September 30, 2012 - \$50). Also included in other income for the three months ended September 30, 2013 is a gain of \$9,522 from the extinguishment of the Debentures and the recognition of a new Debentures liability (for accounting purposes). (See "Liabilities" section.)

Operating, general and administrative expenses for the three months ended September 30, 2013 decreased to \$1,646 from \$2,840 for the three months ended September 30, 2012. A breakdown of operating, general and administrative expenses for the indicated three month periods ended September 30 is set out below. Details of the changes between periods follow the table:

	2013	2012
Salaries, bonuses, and other employment benefits	\$ 569	\$ 604
Stock-based compensation expense (a)	255	410
Transaction costs	179	169
Other office and general expenses	175	180
Operating lease payments	147	137
Consulting and directors' fees	129	166
Professional fees	110	185
Travel and promotion	77	108
Amortization	68	70
Transfer agent, filing fees, and other info systems	61	49
Exploration and evaluation expenditures (b)	-	726
Foreign exchange loss (gain) (c)	(124)	36
	\$ 1,646	\$ 2,840

- (a) Stock-based compensation expense decreased by \$155 as compared to the three months ended September 30, 2012. 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) In June 2010, the Company, through a consortium, was awarded an offshore petroleum license in Israel (the "Samuel License"). Pinetree has a 10% interest in the Samuel License. During the three months ended September 30, 2013, the Company had no expenditures relating to the property. The Samuel License expired on July 31, 2013 and subsequent to September 30, 2013, the Company and the other license holders of the Samuel License have relinquished their interests back to the State of Israel.
- (c) For the three months ended September 30, 2013, the Company had a net foreign exchange gain of \$124 as compared to a net foreign exchange loss of \$36 for the three months ended September 30, 2012. The net foreign exchange gain for the current period arose due to the decrease in the value of the U.S. dollar versus the Canadian dollar, which decreased the Canadian dollar equivalent value of the Company's foreign currency denominated liabilities.

Finance expense increased to \$4,842 in the three months ended September 30, 2013 as compared to \$1,909 in the three months ended September 30, 2012. The increase was primarily attributable to a consent fee of \$3,106 in connection with the amendments made to the Debentures during the period. (See "Liabilities" section.)

The Company recorded an income tax benefit in the three months ended September 30, 2013 of \$538 as compared to \$788 in the three months ended September 30, 2012. For the three months ended September 30, 2013, the income tax benefit was primarily due to the reversal of some of the income tax payable recorded in the prior period. For the three months ended September 30, 2012, the income tax benefit was due to the increase in the excess of tax cost over fair value of investments held at the end of the period. The income tax payable recorded as at September 30, 2013 may differ from the actual amount due for the year ended December 31, 2013 when the Company files its tax returns.

Net income for the three months ended September 30, 2013 was \$12,828 (\$0.09 per share) as compared to \$22,899 (\$0.17 per share) for the three months ended September 30, 2012.

For the three months ended September 30, 2013, the Company had an exchange loss on translation of foreign operations of \$1 as compared to \$21 for the three months ended September 30, 2012. As a result, total comprehensive income for the three months ended September 30, 2013 was \$12,827 as compared to \$22,878 for the three months ended September 30, 2012.

Nine Months Ended September 30, 2013 and 2012:

For the nine months ended September 30, 2013, the Company generated net realized losses on disposal of investments of \$14,921, as compared to \$27,557 for the nine months ended September 30, 2012.

For the nine months ended September 30, 2013, the Company had a net change in unrealized losses on investments of \$79,947 as compared to \$61,645 for the nine months ended September

30, 2012. Net change in unrealized losses for the nine months ended September 30, 2013 was comprised of \$89,246 from the write-down to market on the Company's investments offset by \$9,299 from the reversal of previously recognized net unrealized losses on the disposal of investments. Of the net change in unrealized losses for the nine months ended September 30, 2012, \$94,759 was from the write-down to market on the Company's investments offset by \$33,114 from the reversal of previously recognized net unrealized losses on the disposal of investments during the nine months ended September 30, 2012. For the nine months ended September 30, 2013, the net change in unrealized losses included an unrealized gain of \$9,274 on the adoption of IFRS 13, *Fair Value Measurement* (See "Changes in Accounting Policies" section elsewhere in this MD&A). IFRS 13 provides guidance on fair value measurements of an asset or liability based on assumptions that market participants would use when pricing that asset or liability under current market conditions. The Company has fair valued its investments in publicly-traded investments based on the closing trade price (previously, it was based on the closing bid price) at the consolidated statement of financial position date. Management views that this policy provides a more indicative fair value price to sell its publicly-traded investments in an orderly transaction in the principal market at the consolidated statement of financial position date.

For the nine months ended September 30, 2013, other income totalled \$13,124 as compared to \$1,199 for the nine months ended September 30, 2012. Other income is comprised of interest and dividend income of \$757 (nine months ended September 30, 2012 - \$503), \$439 (nine months ended September 30, 2012 - \$442) from consulting fees, rental income, and other fees, \$62 from securities lending revenue (nine months ended September 30, 2012 - \$254). Also included in other income for the nine months ended September 30, 2013 is a gain of \$9,522 recognized in respect of the Debentures as a result of the amendments made to the Debentures (see "Liabilities" section) and a \$2,344 gain from the repurchase of Debentures under the NCIBs.

Operating, general and administrative expenses for the nine months ended September 30, 2013 decreased to \$5,986 from \$9,756 for the nine months ended September 30, 2012. A breakdown of operating, general and administrative expenses for the indicated nine month periods ended September 30 is set out below. Details of the changes between periods follow the table:

	2013	2012
Salaries, bonuses, and other employment benefits	\$ 1,784	\$ 1,986
Stock-based compensation expense (a)	969	2,195
Transaction costs (b)	620	1,241
Other office and general expenses	589	684
Operating lease payments	443	377
Consulting and directors' fees	401	639
Professional fees	335	354
Transfer agent, filing fees, and other info systems	295	299
Travel and promotion	257	545
Amortization	201	198
Exploration and evaluation expenditures (c)	50	1,182
Foreign exchange loss	42	56
	\$ 5,986	\$ 9,756

- (a) Stock-based compensation expense decreased by \$1,226 as compared to the nine months ended September 30, 2012. 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 \$621 as compared to the nine months ended September 30, 2012, 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.
- (c) During the nine months ended September 30, 2013, the Company had \$50 expenditures relating to the Samuel License in offshore Israel. The Company does not anticipate any significant expenditures on the property for the remainder of 2013. As previously discussed, subsequent to September 30, 2013, the Company and the other license holders of the Samuel License have relinquished their interests back to the State of Israel.

Finance expense increased to \$8,850 in the nine months ended September 30, 2013 as compared to \$5,694 in the nine months ended September 30, 2012. The increase was primarily attributable to a consent fee of \$3,106 for the Debenture Amendment (see "Liabilities" section) and a \$353 increase in the amortization of finance expenses on the Debentures offset by a decrease in interest expense on margin borrowings and the elimination of the standby fee payable on a credit facility which expired on December 31, 2012.

For the nine months ended September 30, 2013, the Company recorded an income tax expense of \$515 as compared to an income tax benefit of \$5,709 in the nine months ended September 30, 2012. The income tax expense in the current period was a result of an increase in the accrual of income tax payable while in the prior year period, the income tax benefit was primarily due to an increase in the excess of tax cost over fair value of investments held at the end of the period offset by an accrual of income tax payable. The income tax payable recorded as at September 30, 2013 may differ from the actual amount due for the year ended December 31, 2013 when the Company files its tax returns.

Net loss for the nine months ended September 30, 2013 was \$97,095 (\$0.68 per share) as compared to \$97,744 (\$0.72 per share) for the nine months ended September 30, 2012.

For the nine months ended September 30, 2013, the Company had an exchange gain on translation of foreign operations of \$2 as compared to an exchange loss of \$15 for the nine months ended September 30, 2012. As a result, total comprehensive loss for the nine months ended September 30, 2013 was \$97,093 as compared to \$97,759 for the nine months ended September 30, 2012.

Cash Flow:

Net cash generated in operating activities was \$11,315 in the nine months ended September 30, 2013 as compared to \$260 in the nine months ended September 30, 2012. During the nine months ended September 30, 2013, the Company had proceeds from disposition of investments of \$75,266, a decrease of \$47,806, when compared to \$123,072 of proceeds from dispositions in the nine months ended September 30, 2012. In the nine months ended September 30, 2013,

the Company used \$43,757 to purchase investments, a decrease of \$63,842 as compared to \$107,599 of investment purchases in the nine months ended September 30, 2012.

In the nine months ended September 30, 2013, the Company used \$11,274 in financing activities of which \$11,234 was used to purchase \$14,136 principal amount of its Debentures under the NCIBs and \$40 for share issuance costs.

In the nine months ended September 30, 2013, net cash used in investing activities was \$85 as compared to \$176 in the nine months ended September 30, 2012, relating to the purchases of property, plant and equipment.

For the nine months ended September 30, 2013, the Company had a net decrease in cash and cash equivalents of \$44 as compared to a net increase in cash and cash equivalents of \$83 for the nine months ended September 30, 2012. For the nine months ended September 30, 2013, the Company also had a gain from the exchange difference on the translation of foreign operations of \$2 as compared to a foreign exchange loss of \$15 for the nine months ended September 30, 2012. As a result, as at September 30, 2013, the Company had a cash and cash equivalents balance of \$194 as compared to \$270 as at September 30, 2012.

Liquidity and Capital Resources:

Consolidated Statements of financial position Highlights	September 30, 2013	December 31, 2012
Investments at fair value	\$ 150,204	\$ 270,180
Total assets	177,627	294,550
Total liabilities	55,241	82,400
Share capital, warrants and broker warrants, contributed surplus, equity component of convertible debentures and foreign currency translation reserve	390,707	383,376
Deficit	(268,321)	(171,226)
NAV per share – Basic (i)	\$ 0.85	\$ 1.55
NAV per share – Diluted(i)	\$ 0.71	\$ 1.21

(i) 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, consulting fees, capital raising activities such as private placement debt and equity financings, and corporate borrowings from the Company's bank and brokers (margin account).

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.

Liabilities:

As at September 30, 2013, total liabilities decreased to \$55,241 as compared to \$82,400 as at December 31, 2012, a 33% decrease attributable to the retiring of a portion of the Debentures, the net effect of the Debenture amendments on the fair value of the Debentures (discussed below) and the elimination of margin owing to brokers.

As at September 30, 2013, the Company had amounts due from brokers of \$3,346 (cash held in broker accounts) as compared to net due to brokers of \$8,861 as at December 31, 2012, an increase of \$12,207. 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 nine months ended September 30, 2013, the Company reduced its amounts due to brokers to \$0.

As at September 30, 2013, also included in accounts payable and accrued liabilities are Class C preferred share liabilities of \$240 (December 31, 2012 - \$240). 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, payable semi-annual.

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, 2013, the redemption price was \$10 per share and the retraction price in effect was \$2.03 per share (December 31, 2012 - \$5.11 per share). As at September 30, 2013, 24,000 Class C Shares (December 31, 2012 - 24,000 Class C Shares) were issued and outstanding.

As at September 30, 2013, the Company had recorded an estimated income tax payable (including interest) of \$2,351 (December 31, 2012 - \$1,881). The income tax payable recorded for the nine months ended September 30, 2013 may differ from the actual amount due for the year ended December 31, 2013 when the Company files its tax returns.

As at September 30, 2013, included in accounts payable and accrued liabilities was \$1,621 (December 31, 2012 - \$508) of accrued interest in respect of the Debentures. The Debentures bear interest at a rate of 8% per annum, payable semi-annually (increased to 10% per annum as of November 30, 2013), 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, subject to adjustment under certain circumstances. The next interest payment of approximately \$2,435 for the Debentures will be due on November 30, 2013. The Debentures are subject to debt incurrence and maintenance covenants, among other covenants, and restrictions on redemption, and the Company is currently in compliance with its debt covenants.

Effective September 12, 2013, the terms of the Debentures were amended with the written consent of Debenture holders to: (1) increase the interest rate payable to 10% per annum effective as of November 30, 2013; and (2) amend one of the debt covenants (the "Covenant") in the indenture governing the Debentures to provide that, for a period of nine months, Pinetree's debt-to-assets ratio cannot exceed 50%. Effective as of the same date, the

Debentures are designated as the Company's "10.0% convertible unsecured subordinated debentures due May 31, 2016".

Debenture holders (the "Consenting Debentureholders") representing an aggregate of \$51,933 principal amount of Debentures (the "Consenting Debentures") consented in writing to the Debenture amendments. The Company agreed to pay to each Consenting Debentureholder, who properly completes and submits a Consent Fee Election Form by November 30, 2013, a cash consent fee equal to \$0.06 for each \$1 principal amount of Consenting Debentures held.

A maximum consent fee of \$3,106 could be payable by the Company, based upon the aggregate principal amount of the Consenting Debentures. Additionally the consent fee is payable in common shares of Pinetree, on the basis of 180 common shares for every \$1 principal amount of Consenting Debentures, to the eligible Consenting Debentureholders who properly elected to receive common shares in lieu of a cash payment within the prescribed period. Subsequent to September 30, 2013, Pinetree issued an aggregate of 5,321,700 common shares to Consenting Debentures in payment of the consent fee, representing \$29,565 principal amount of the Consenting Debentures.

For accounting purposes, the Company determined that the amended terms of the Debentures were substantially different from the original terms and, in accordance with IFRS 9, the Company extinguished the carrying value of the Debentures and recorded a new liability of \$47,486, which represents the fair value of the amended Debentures as at September 12, 2013, with the difference of \$9,522 recognized in other income on the statement of comprehensive income. The effective interest rate of the amended Debentures is 20.40% (originally 9.47%).

Commitments:

As at September 30, 2013, the Company had material commitments for cash resources of \$90,553 (December 31, 2012 - \$115,369) which are detailed below. The disposition of the Company's investments in the normal course should be sufficient to pay these material commitments as at September 30, 2013.

A breakdown of the Company's liabilities and obligations as at September 30, 2013 is as follows:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 439	\$ 439	\$ -	\$ -	\$ -
Income taxes payable	2,351	2,351	-	-	-
Consent Fee	3,106	3,106	-	-	-
Debentures (principal amount)	60,864	-	60,864	-	-
Interest on Debentures	17,651	5,478	12,173	-	-
Lease commitments	6,142	590	1,772	1,175	2,605
	\$ 90,553	\$ 11,964	\$ 74,809	\$ 1,175	\$ 2,605

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

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Due to brokers	\$ 8,875	\$ 8,875	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	1,929	1,929	-	-	-
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
	\$ 115,369	\$ 19,883	\$ 91,262	\$ 1,159	\$ 3,065

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.

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 \$27 per month.

Related Party Transactions:

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

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

Type of service	Nature of relationship	2013	2012
Salaries, consulting fees and other benefits	Director and officers	\$ 1,023	\$ 1,128
Director fees	Directors	88	100
Stock-based compensation expense	Directors and officers	696	1,576
Finance expense (i)	Officer	-	47

- (i) During the 2012 fiscal year, Pinetree had a \$25,000 credit facility (the "Credit Facility") provided by the Company's Chairman and Chief Executive Officer ("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. The Credit Facility was to provide (if necessary) additional immediate working capital to the Company. The Credit Facility expired on December 31, 2012.

- (b) During the nine months ended September 30, 2013, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 28, 2013	1,050,000	\$ 0.62	March 27, 2018
August 29, 2013	1,450,000	0.43	August 28, 2018
Total granted	2,500,000		

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		

Off-Balance Sheet Arrangements:

As at September 30, 2013, 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.

Investor relations:

During the nine months ended September 30, 2013, Pinetree's management handled the Company's investor relations activities.

Internal Controls Over Financial Reporting:

There was no change in the Company's internal controls over financial reporting ("ICFR") that occurred during the three months ended September 30, 2013 and which materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Management of Capital:

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

	September 30, 2013	December 31, 2012
Due to brokers	\$ -	\$ 8,875
Convertible debentures, due May 31, 2016	47,724	69,207
Equity comprised of:		
Share capital	283,157	276,797
Warrants	-	9,762
Contributed surplus	104,749	94,018
Equity component of convertible debentures	2,838	2,838
Foreign currency translation reserve	(37)	(39)
Deficit	(268,321)	(171,226)
	\$ 170,110	\$ 290,232

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets and the debt incurrence and maintenance covenants, among other covenants, to which it is subject in connection with the Debentures. During the nine months ended September 30, 2013, the Company was in default of one of its debt-to-assets maintenance covenants and subsequently cured to the default. Effective September 12, 2013, the covenant was amended to permit a debt-to-assets ratio of up to 50% (previously 33%) for the following nine months.

There were no changes to the Company's objectives in managing and maintaining capital during the three months ended September 30, 2013.

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 September 30, 2013.

Financial Instruments:

The Company's financial instruments primarily consist of investments.

The Company is a party to a security lending agreement ("SLA") in Canada where securities in its 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:

	September 30, 2013	December 31, 2012
Investments at fair value lent under SLA – carrying amount	\$ 63	\$ 717
Fair value of collateral held for investments lent under SLA	676	969

Risk Management:

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

There were no significant or material changes to the Company's risk management during the nine months ended September 30, 2013.

Risk Factors:

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

The Company's risks are described in its annual MD&A for the year ended December 31, 2012 which can be found on SEDAR (www.sedar.com). Additional risks not currently known to the Company or that are currently believe to be immaterial, may also affect and negatively impact the Company's business.

Outstanding Share Data:

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

Subsequent to September 30, 2013, the Company issued 5,321,700 common shares to Consenting Debentureholders holding an aggregate of \$29,565 principal amount of Consenting Debentures, in satisfaction of the consent fee payable to them.

As at November 7, 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	149,141,070
Issuable under options	14,081,900
Issuable under conversion of Debentures (i)	14,320,941
Total diluted common shares	177,543,911

- (i) Assuming the Debentures are converted by the Debenture holders at \$4.25 per share (235.2941 common shares per \$1 principal amount).

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, 2013.

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 nine months ended September 30, 2013.

Changes in Accounting Policies:

Except as described below, the same accounting policies and methods of computation were followed in the preparation of the interim consolidated statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2012.

Effective January 1, 2013, the company has adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions under IFRS.

- (a) *FRS 7, Financial Instruments - Disclosures*, amended to provide more extensive quantitative disclosures for financial instruments that are offset in the consolidated

statement of financial position or that are subject to enforceable master netting similar arrangements. The Company has assessed and determined that the amendments to IFRS 7 did not result in any change in its disclosures for financial instruments.

- (b) IFRS 10, *Consolidated Financial Statements*, requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The Company has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.
- (c) IFRS 11, *Joint Arrangements*, supersedes IAS 31, *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, *Investments in Associates and Joint Ventures* (amended in 2011). The other amendments to IAS 28 did not affect the Company. The Company has concluded that the adoption of IFRS 11 did not result in any changes in the accounting.
- (d) IFRS 12, *Disclosure of Interests in Other Entities*, requires the disclosure of information that enables users of financial statements to evaluate the nature of and risks associated with an entity's interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Company has assessed and determined that the adoption of IFRS 12 did not result in any change in its disclosures of interests in other entities.
- (e) IFRS 13, *Fair Value Measurement*, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

The Company has fair valued its investments in publicly-traded investments (securities of issuers that are public companies) based on the closing trade price at the consolidated statement of financial position date or the closing trade price on the last day the security traded if there were no trades at the consolidated statement of financial position date. Management views that this policy provides a more indicative fair value price to sell its publicly-traded investments in an orderly transaction in the principal market at the consolidated statement of financial position date. In prior periods, publicly-traded investments were fair valued based on quoted closing bid prices at the consolidated statement of financial position date or the closing bid price on the last day the security traded if there were no trades at the consolidated statement of financial position date.

As permitted under the transitional provision, IFRS 13 was applied on a prospective basis and, accordingly, the adoption of the new policy had no effect on prior years. The effect on the current period is to increase investments as at January 1, 2013 by \$9,274.

- (f) IAS 19R, *Employee Benefits*, includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation; and unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the rated restructuring or termination costs are recognised. Other amendments include new disclosures, such as quantitative sensitivity disclosures. The Company has assessed its employee benefits, including unused vacation accrual, and determined that the amendments to IAS 19R did not have any significant impact on the interim consolidated statements.
- (g) IAS 27, *Separate Financial Statements*, as a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Company does not prepare separate financial statements therefore, IAS 27 does not impact the Company.
- (h) IAS 28, *Investments in Associates and Joint Ventures*, as a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they be provided. Accordingly, the Company has not made such disclosures.
- (i) IAS 32, *Financial Instruments, Presentation* was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The Company has early adopted IAS 32 effective on January 1, 2013 and determined that there was no significant impact on the interim consolidated 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 June 30, 2013, 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 September 30, 2013 (December 31, 2012 - \$23,047). The full deferred tax asset was \$54,869 (December 31, 2012 - \$38,563).

Stock-based Compensation Expense and Warrants:

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

or a higher volatility number used would result in an increase in stock-based compensation expense. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of stock-based compensation expense.

The following table summarizes stock options granted during the nine months ended September 30, 2013:

Date Granted	Options Granted	Exercise Price	Expiry
March 28, 2013	1,580,000	\$ 0.62	March 27, 2018
August 29, 2013	1,990,000	0.43	August 28, 2018
Total granted	3,570,000		

The fair value of the options granted during the nine months ended September 30, 2013 was estimated at the date of grant using the following weighted average assumptions:

Black-Scholes option valuation model assumptions used	
Expected volatility	62.6%
Expected dividend yield	0.0%
Risk-free interest rate	1.3%
Expected option life in years	3.2
Expected forfeiture rate	3.6%
Fair value per stock option granted on March 28, 2013	\$ 0.26
Fair value per stock option granted on August 29, 2013	\$ 0.19

The expected volatility is based on the historical volatility over the life of the option at Pinetree's share price. The Company has not paid any cash dividends historically and has no plans to pay cash dividends in the foreseeable future. The risk-free interest rate is based on the yield of Canadian Benchmark Bonds with equivalent terms. The expected option life in years represents the period of time that options granted are expected to be outstanding based on historical options granted.

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.

For accounting purposes on the repurchase of the Debentures under the NCIB, the amount repurchased is separated into its liability and equity components using the effective interest rate method, similar to when they were issued. The fair value of the liability component at the time of repurchase during the nine months ended September 30, 2013, was calculated using a 16.91% effective interest rate (a rate applicable to comparable debt without a conversion feature), which resulted in the amount equal to the total consideration.

As at September 12, 2013, the fair value of the Debentures was \$47,486 (see "Liabilities" section). The fair value of the Debentures will be accreted to the principal amount using an effective interest rate of 20.40%.

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. As at September 30, 2013, the Company has valued all non-tradable warrants using intrinsic value for a total fair value of \$664 (December 31, 2012 - \$1,597), which is consistent with prior quarters and with the Company's accounting policy for valuing non-tradable warrants.

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.