Management's Discussion and Analysis

For the Year Ended: **December 31, 2013**

Date of Report: **March 6, 2014**

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, 2013 and 2012. See "Changes in 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 (including principal amount of convertible debentures) except 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 Pinetree's ability to generate taxable income from operations to realize the benefit of the deferred tax assets, 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 sectors: Precious Metals, Uranium and Technology. 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:

Fiscal 2013 was another disappointing year for the Company. Although investments' losses tapered at the end of the year, commodity prices continued to show weakness resulting in value declines in the majority of the investments comprising the Company's portfolio. The Company remains optimistic and continues to look for opportunistic investments with potential high

growth. As at December 31, 2013, the Company held investments at fair value totalling $133,965 as compared to $270,180 as at December 31, 2012, a 50% decrease primarily attributable to net investment losses of $106,751.

As at December 31, 2013, net asset value per share ("NAV per share") was $0.65 as compared to $1.55 as at December 31, 2012, a 58% 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, 2013	**$ 0.65**
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

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

During the year ended December 31, 2013, the Company reduced its outstanding convertible debt by approximately 19% through the repurchase for cancellation of $14,136 principal amount of its 8% convertible unsecured subordinated debentures due May 31, 2016 ("Debentures") pursuant to normal course issuer bids ("NCIB"). An aggregate of $60,864 principal amount of Debentures remains outstanding.

During the year ended December 31, 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 year 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 temporarily 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 December 31:

	2013		2012	
Sectors:	**Cost**	**Fair Value**	Cost	Fair Value
Resources:				
Precious metals	**$ 281,309**	**$ 52,802**	$ 306,531	$ 145,169
Oil and gas	**47,209**	**16,647**	72,637	30,433
Base metals	**116,041**	**14,103**	128,016	31,075
Potash, lithium and rare earths	**43,864**	**12,299**	49,874	27,739
Uranium	**72,023**	**11,909**	84,241	18,875
Coal	**5,181**	**595**	5,156	2,140
Technology and other	**39,917**	**25,610**	38,072	14,749
Total investments	**$ 605,544**	**$ 133,965**	$ 684,527	$ 270,180

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

	2013		2012	
Resources:		**% of Total**		% of Total
Precious metals	**182**	**48.6**	189	47.8
Base metals	**74**	**19.8**	77	19.5
Oil and gas	**31**	**8.3**	36	9.1
Potash, lithium and rare earths	**22**	**5.9**	25	6.3
Uranium	**22**	**5.9**	26	6.6
Coal	**6**	**1.6**	7	1.8
Technology and other	**37**	**9.9**	35	8.9
	374	**100.0**	395	100.0

Overall, the percentage of investments held by sector remained relatively constant as compared to the prior year-end. The total number of investments decreased by 5% since the prior year-end primarily due to changes in our resource investments from dispositions and merger and acquisition activity of investee companies which resulted in some consolidation in the portfolio. From time-to-time, an investment may be reallocated to a different sector due to a change of business or resource target by the investee company.

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, 2013, included in total investments were securities of private companies with a fair value totalling $25,253 (19% of total fair value of the Company's investments; cost of $29,663). 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 the private companies increased due to the

acquisition of an additional $4,499 of investments and net unrealized gains of $660 offset by dispositions and other investments being reclassified as publicly-traded 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.

Refer to note 5 of the Notes to the consolidated financial statements as at and for the year ended December 31, 2013 for other details about the Company's investments. A detailed list of Pinetree's investments as at December 31, 2013 can be found on Pinetree's website at www.pinetreetrecapital.com.

Results of Operations:

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

	2013	2012	2011
Net investment losses	**$ 106,751**	$ 133,931	$ 330,918
Net loss for the year	**123,375**	145,937	298,341
Total comprehensive loss for the year	**123,372**	145,954	298,341
Loss per share based on loss for the year – basic and diluted	**0.85**	1.07	2.19
Total assets	**151,276**	294,550	443,619
Total liabilities	**52,262**	82,400	87,987
Equity	**99,014**	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, 2013	**September 30, 2013**	**June 30, 2013**	**March 31, 2013**
Net investment gains (losses)	**$ (11,883)**	**$ 9,029**	**$ (61,555)**	**$ (42,342)**
Net profit (loss) for the period	**(26,280)**	**12,828**	**(62,937)**	**(46,986)**
Total comprehensive income (loss) for the period	**(26,279)**	**12,827**	**(62,936)**	**(46,984)**
Earnings (loss) per share based on net profit (loss) for the period – basic	**(0.18)**	**0.09**	**(0.44)**	**(0.33)**
Earnings (loss) per share based on net profit (loss) for the period – diluted	**(0.18)**	**0.04**	**(0.44)**	**(0.33)**

	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	(0.35)	0.17	(0.85)	(0.04)
Earnings (loss) per share based on net profit (loss) for the period – diluted	(0.35)	0.14 (i)	(0.85)	(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 Debentures.

Three Months Ended December 31, 2013 and 2012:

The net investment losses for the three months ended December 31, 2013 was $11,883 (three months ended December 31, 2012 - $44,729) as a result of net realized losses offset by a net change in unrealized gains on investments as described below.

For the three months ended December 31, 2013, the Company generated net realized losses on disposal of investments of $34,646, as compared to $11,151 for the three months ended December 31, 2012.

For the three months ended December 31, 2013, the Company had a net change in unrealized gains on investments of $22,763 as compared to a net change in unrealized losses on investments of $33,578 for the three months ended December 31, 2012. Net change in unrealized gains for the three months ended December 31, 2013 was comprised of $34,000 from the reversal of previously recognized net unrealized losses on the disposal of investments offset by the write-down to market on the Company's investments of $11,237. Of the net change in unrealized losses for the three months ended December 31, 2012, $33,354 was 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 during the three months ended December 31, 2012.

For the three months ended December 31, 2013, other income totalled $207 as compared to $205 for the three months ended December 31, 2012. Other income is comprised of interest and dividend income of $119 (three months ended December 31, 2012 - $31) and $81 (three months ended December 31, 2012 – $147) from consulting fees, rental income, and other fees and $7 from securities lending revenue (three months ended December 31, 2013 - $27). Interest and dividend income increased by $88 due to an increase in loans to and investments in convertible debentures of investees while consulting fees, rental income, and other fees decreased by $66 due to a reduction of rental and administrative fees charged to one of the Company's investees.

Operating, general and administrative expenses for the three months ended December 31, 2013 decreased to $2,262 from $2,506 for the three months ended December 31, 2012. 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:

	2013	2012
Professional fees (a)	**$ 671**	$ 380
Salaries and bonuses	**527**	594
Stock-based compensation expense (b)	**267**	321
Transaction costs (c)	**156**	235
Other office and general (d)	**147**	200
Operating lease payments	**148**	148
Consulting and directors' fees	**128**	151
Transfer agent, filing fees and other information systems (e)	**98**	55
Amortization	**68**	79
Travel and promotion (f)	**64**	213
Employee benefits	**34**	33
Exploration and evaluation expenditures (g)	**-**	104
Foreign exchange gain	**(46)**	(7)
	$ 2,262	$ 2,506

(a) Professional fees increased by $291 for the three months ended December 31, 2013. The increase was primarily due to legal fees incurred in connection with the Debentures and as a result of out of the ordinary course legal fees incurred in connection with one of the Company's investments.

(b) Stock-based compensation expense decreased by $54 for the three months ended December 31, 2013. 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 $79 for the three months ended December 31, 2013, 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) Other office and general expenses decreased by $53 for the three months ended December 31, 2013 due to decrease in officers' and directors' insurance premiums and an overall reduction in the Company's operating expenses.

(e) Transfer agent, filing fees, and other information systems increased by $43 primarily due to costs incurred in connection with the Debentures.

(f) Travel and promotion decreased by $149 for the three months ended December 31, 2013, as a result of a decrease in travel relating to the Company's investment activities.

(g) In June 2010, the Company (as part of a consortium) was awarded a 10% interest, in an offshore petroleum license in Israel (the "Samuel License"). During the three months

ended December 31, 2013, the Company had no expenditures relating to the property. The Samuel License expired on July 31, 2013 and in October 2013, the Company and the other license holders of the Samuel License relinquished their interests back to the State of Israel.

Finance expense increased to $2,459 in the three months ended December 31, 2013 as compared to $1,911 in the three months ended December 31, 2012. The increase was primarily attributable to an increase in the accretion of discount and interest expense on the outstanding Debentures.

The Company recorded an income tax expense in the three months ended December 31, 2013 of $9,883 as compared to an income tax benefit of $748 in the three months ended December 31, 2012. The income tax expense in the current period was a result of a reduction of the deferred income tax asset while in the prior year period the income tax benefit was primarily due to a decrease in the accrual of income tax payable. As at December 31, 2013, management has determined, based upon the Company's historical level of taxable income and historical market trends of a comparable market index that it believes that it will be 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. Management has reduced the value of the deferred tax assets to $13,000 (2012 - $23,047). See "Critical Accounting Estimates" elsewhere in this MD&A.

Net loss for the three months ended December 31, 2013 was $26,280 ($0.18 per share) as compared to a net loss of $48,193 ($0.35 per share) for the three months ended December 31, 2012.

For the three months ended December 31, 2013, the Company had an exchange gain on translation of foreign operations of $1 as compared to an exchange loss of $2 for the three months ended December 31, 2012. As a result, total comprehensive loss for the three months ended December 31, 2013 was $26,279 as compared to $48,195 for the three months ended December 31, 2012.

Year ended December 31, 2013 and 2012:

The net investment losses for the year ended December 31, 2013 was $106,751 (2012 - $133,931) as a result of net realized losses and a net change in unrealized losses on investments as described below.

For the year ended December 31, 2012, the Company generated net realized losses on disposal of investments of $49,567, as compared to $38,708 for the year ended December 31, 2012.

For the year ended December 31, 2013, the Company had a net change in unrealized losses on investments of $57,184 as compared to $95,223 for the year ended December 31, 2012. Net change in unrealized losses for the year ended December 31, 2013 was comprised of $100,483 from the write-down to market on the Company's investments offset by $43,299 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, 2012, $128,113 was 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. For the year ended December 31, 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 year ended December 31, 2012, other income totalled $13,331 as compared to $1,404 for the year ended December 31, 2012. Other income is comprised of interest and dividend income of $876 (2012 - $534) and $520 (2012 – $589) from consulting fees, rental income, and other fees and $69 from securities lending revenue (2012 - $281). Also included in other income for the year ended December 31, 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. Interest and dividend income is earned on certain of the Company's investments.

Operating, general and administrative expenses for the year ended December 31, 2013 decreased to $8,248 from $12,262 for the year ended December 31, 2012. 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:

	2013	2012
Salaries and bonuses	**$ 2,172**	$ 2,412
Stock-based compensation expense (a)	**1,236**	2,516
Professional fees	**1,006**	734
Transaction costs (b)	**776**	1,476
Other office and general	**735**	884
Operating lease payments	**591**	525
Consulting and directors' fees	**529**	790
Transfer agent, filing fees and other information systems	**393**	354
Travel and promotion (c)	**321**	758
Amortization	**270**	277
Employment benefits	**173**	201
Exploration and evaluation expenditures (d)	**50**	1,286
Foreign exchange loss (gain)	**(4)**	49
	$ 8,248	$ 12,262

(a) Stock-based compensation expense decreased by $1,280 as compared to the year ended December 31, 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 $700 as compared to the year ended December 31, 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. 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 $437 as compared to the three months ended December 31, 2012, as a result of a decrease in travel and promotion relating to the Company's investment activities.

(d) As previously noted, Pinetree had a 10% interest in the Samuel License which expired on July 31, 2013 and was relinquished back to the State of Israel in October 2013.

Finance expense increased to $11,309 in the year ended December 31, 2013 as compared to $7,605 in the year ended December 31, 2012. The increase was primarily attributable to a consent fee of $3,056 for the Debenture Amendment (see "Liabilities" section) and a $600 increase in the accretion of discount and interest expense 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.

The Company recorded an income tax expense in the year ended December 31, 2013 of $10,398 as compared to an income tax benefit of $6,457 in the year ended December 31, 2012. The income tax expense in the current year was a result of an increase in the accrual of income tax payable and the reduction of the deferred tax assets (as previously discuss for the three months ended December 31, 2013) while in the prior year, 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 and reduced by $1,881 due to the tax expense for estimated corporate minimum tax payable for the year ended December 31, 2012. The income tax payable recorded as at December 31, 2013 may differ from the actual amount due for the year ended December 31, 2013 when the Company files its tax returns. See "Critical Accounting Estimates" elsewhere in this MD&A.

Net loss for the year ended December 31, 2013 was $123,375 ($0.85 per share) as compared to $145,937 ($1.07 per share) for the year ended December 31, 2012.

For the year ended December 31, 2013, the Company had an exchange gain on translation of foreign operations of $3 as compared to an exchange loss on translation of foreign operations of $17 for the year ended December 31, 2012. As a result, total comprehensive loss for the year ended December 31, 2013 was $123,372 as compared to $145,954 for the year ended December 31, 2012.

Cash Flow:

Net cash generated in operating activities was $10,476 in the year ended December 31, 2013 as compared to $376 in the year ended December 31, 2012. During the year ended December 31, 2013, the Company had proceeds from disposition of investments of $94,873, a decrease of $61,617, when compared to $156,490 of proceeds from dispositions in the year ended

December 31, 2012. In the year ended December 31, 2013, the Company purchased $59,008 of investments, a decrease of $73,924 as compared to $132,932 of investment purchases in the year ended December 31, 2012. The decrease in the proceeds on disposal of investments and purchases of investments during the current year reflects the Company's increasingly careful selection of investment transactions during volatile economic climate. In the year ended December 31, 2013, some of the net proceeds from dispositions were used to repay $8,875 in margin borrowings from brokers as compared to $9,903 in the year ended December 31, 2012.

In the year ended December 31, 2013, the Company used $10,381 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 offset by a private placement of $893 (net of share issuance costs). On December 19, 2013, the Company completed a non-brokered private placement of 3,000,000 common shares of the Company at a price of $0.30 per share, resulting in aggregate gross proceeds to the Company of $900. There were no financing activities in the year ended December 31, 2012.

In the year ended December 31, 2013, net cash used in investing activities was $85 as compared to $325 in the year ended December 31, 2012. In the year ended December 31, 2013 and 2012, the investing activities related to the purchases of property, plant and equipment.

For the year ended December 31, 2013, the Company had a net increase in cash and cash equivalents of $10 as compared to $51 for the year ended December 31, 2012. For the year ended December 31, 2013, the Company also had a gain from the exchange difference on the translation of foreign operations of $3 as compared to a loss from the exchange difference on the translation of foreign operations of $17 for the year ended December 31, 2012. As a result, as at December 31, 2013, the Company had a cash and cash equivalents balance of $249 as compared to $236 as at December 31, 2012.

Liquidity and Capital Resources:

Consolidated Statements of financial position Highlights	**December 31, 2013**	December 31, 2012
Investments at fair value	**$ 133,965**	$ 270,180
Total assets	**151,276**	294,550
Total liabilities	**52,262**	82,400
Share capital, warrants and broker warrants, contributed surplus, equity component of convertible debentures and foreign currency translation reserve	**393,615**	383,376
Deficit	**(294,601)**	(171,226)
NAV per share – Basic (i)	**$ 0.65**	$ 1.55
NAV per share – Diluted(i)	**$ 0.55**	$ 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, 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, and England, thereby offering potential sources of liquidity and cash flow for Pinetree.

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.

Liabilities:

As at December 31, 2013, total liabilities decreased to $52,262 as compared to $82,400 as at December 31, 2012, a 37% decrease attributable to the retiring of a portion of the Debentures, the net effect of the Debenture amendments on the carrying value of the Debentures (discussed below) and the elimination of margin owing to brokers.

As at December 31, 2013, the Company had amounts due from brokers of $3,029 (cash held in broker accounts) as compared to net due to brokers of $8,861 as at December 31, 2012. 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, 2013, the Company reduced its amounts due to brokers to $0.

As at December 31, 2013, also included in accounts payable and accrued liabilities are Class C preferred share liabilities of $240 (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 December 31, 2013, the redemption price was $10 per share and the retraction price in effect was $1.48 per share (2012 - $4.59 per share). During the year ended December 31, 2012, 100 Class C Shares were cancelled by PCIC following their retraction by the holders at $4.70 per share plus accrued and unpaid dividends. As at December 31, 2013 and 2012, 24,000 Class C Shares were issued and outstanding.

As at December 31, 2013, the Company had recorded an estimated income tax payable (including interest) of $1,998 (2012 - $1,881) relating to corporate minimum tax payable. The income tax payable recorded for the year ended December 31, 2013 may differ from the actual amount due for the year ended December 31, 2013 when the Company files its tax returns.

As at December 31, 2013, included in accounts payable and accrued liabilities was $517 (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 $3,043 for the Debentures will be due on May 31, 2014. The Debentures are subject to debt incurrence and maintenance covenants, among other covenants, and restrictions on redemption. 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% (an increase from 33%). 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 approximately $51,933 principal amount of Debentures (the "Consenting Debentures") consented in writing to the Debenture amendments. The Company agreed to pay a consent fee equal to $0.06 for each $1 principal amount of Consenting Debentures held to each Consenting Debentureholder who completed and submitted the proper documentation by November 30, 2013.

The consent fee was payable in cash or, alternatively, 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 cash within the prescribed period. In satisfaction of its consent fee obligations, the Company paid cash of $1,300 and issued 5,321,700 common shares to Consenting Debentureholders. Of the commons shares issued, 5,139,360 common shares are non-tradable before February 12, 2014 and 182,340 common shares are non-tradable before February 22, 2014.

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 (based on the closing trade price of the Debentures which are listed on the TSX under the symbol "PNP.DB") of the amended Debentures as at September 12, 2013, with the difference of $9,522 recognized in other income on the statement of comprehensive loss. The effective interest rate of the amended Debentures is 20.40% (originally 9.47%). The prepayment option for Pinetree to redeem the amended Debentures based on terms described in note 8(c) of the Notes to the consolidated financial statements as at and for the year ended December 31, 2013 and 2012, is an embedded derivative that required bifurcation in accordance with IFRS 9. The fair value of the embedded derivative as at December 31, 2013 is nil.

As at December 31, 2013, the fair value of the Debentures was $42,039 (2012 - $65,250) based on the closing trade price of the Debentures.

As at December 31, 2013 and 2012, the Company was in compliance with the debt covenants contained in the amended indenture governing its Debentures.

Commitments:

As at December 31, 2013 the Company had material commitments for cash resources of $85,003 (2012 - $115,369), a decrease of $30,366, 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, 2013 is as follows:

	Payments due by period				
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Accounts payable and accrued liabilities	**$ 879**	**$ 879**	**$ -**	**$ -**	**$ -**
Income taxes payable	**1,998**	**1,998**	**-**	**-**	**-**
Debentures (principal amount)	**60,864**	**-**	**60,864**	**-**	**-**
Interest on Debentures	**15,217**	**6,603**	**8,614**	**-**	**-**
Lease commitments	**6,045**	**590**	**1,777**	**1,226**	**2,452**
	$ 85,003	**$ 10,070**	**$ 71,255**	**$ 1,226**	**$ 2,452**

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

	Payments due by period				
Liabilities and obligations (i)	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

(i) 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.

As at December 31, 2013 and 2012, included in accounts payable and accrued liabilities are $240 of Class C Shares. The Class C Shares are redeemable and/or retractable at any time. PCIC does not intend to redeem the Class C Shares in the foreseeable future.

The Debentures now bear interest at a rate of 10% 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 future normal course issuer bid for the Debentures), the Company will be required to pay $6,086 annually in interest expense to the holders until maturity on May 31, 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 $27 per month.

Related Party Transactions:

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

(a) Related party transactions included in the statement of comprehensive loss were as follows during the year ended December 31:

Type of service	Nature of relationship	2013	2012
Salaries, consulting fees and other benefits	Officers	**$ 1,359**	$ 1,405
Director fees (i)	Directors	**116**	130
Stock-based compensation expense	Directors and officers	**888**	1,811
Finance expense (ii)	Officer	**-**	63

(i) Non-management directors of the Company are entitled to remuneration for their services at rates recommended by the corporate governance and nominating committee and approved by the board. In addition, directors are reimbursed for reasonable travelling, hotel and other incidental expenses in respect of attending meetings of the directors. During the ended December 31, 2013 and 2012, each non-management director received an annual retainer of $15,000 (other than the chair of the audit committee, who received an annual retainer of $20,000) and a fee of $1,000 per board or committee meeting attended in person or by telephone.

(ii) From time to time, the Company's Chairman and Chief Executive Officer ("CEO") advances funds to Pinetree for general working capital purposes. On December 15, 2008, the Company entered into a $25,000 credit facility (the "Credit Facility") with the CEO. The Credit Facility was to provide (if necessary) additional immediate working capital to the Company and was secured under a General Security Agreement. The Credit Facility bore interest at a rate of 1% per month on the outstanding principal amount and had a standby fee of 0.25% per annum on the undrawn portion of the Credit Facility calculated daily and payable monthly in arrears. There was no balance outstanding under the Credit Facility during the 2012 fiscal year and it expired on December 31, 2012.

(b) In October 2013, the Company issued 72,360 common shares to a director and officers of the Company who were Consenting Debentureholders, in satisfaction of the consent fee payable to them.

(c) During the year ended December 31, 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
November 29, 2013	250,000	0.27	November 28, 2018
Total granted	2,750,000		

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		

(d) Investments:

The Company makes minority investments (less than 50%) in the equity of companies (including convertible securities) by way of open market transactions and private placement financings. It is presumed that it is possible to exert significant influence when an equity holding is greater than 20% on a partially diluted basis. These investments are not equity accounted for (as permitted by IAS 28) but are related party transactions. Furthermore, the Company has certain regulatory trading restrictions on investments with an equity holding of greater than 20%.

The total amounts included in the statements of financial position and statements of comprehensive loss for these investment are as follows as at December 31:

	2013	2012
Investments at fair value	**$ 10,640**	$ 12,807
Cost of investments	**50,670**	42,909
Net realized losses on disposal of investments	**-**	(1,304)
Net change in unrealized losses on investments	**(7,550)**	(10,830)
Interest earned on promissory notes	**42**	-

From time to time transactions occur between related parties to facilitate the Company and investee companies who are reorganization or recapitalization of the companies. These transactions are made on an arm's-length basis.

In December 2013, the Company completed a non-brokered private placement by issuing 3,000,000 common shares of the Company to one associate investee for gross proceeds to the Company of $900.

Off-Balance Sheet Arrangements:

As at December 31, 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.

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. The non-cash commitments were with five investee companies and were completed in January 2013.

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, 2013 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, 2013. 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 with GAAP.

There were no changes in the Company's ICFR that occurred during the three months and year ended December 31, 2013, 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:

	2013	2012
Due to brokers	**$ -**	$ 8,875
Convertible debentures, due May 31, 2016	**48,868**	69,207
Equity comprises:		
Share capital	**285,797**	276,797
Warrants	**-**	9,762
Contributed surplus	**105,016**	94,018
Equity component of convertible debentures	**2,838**	2,838
Foreign currency translation reserve	**(36)**	(39)
Deficit	**(294,601)**	(171,226)
	$ 147,882	$ 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 year ended December 31, 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 year ended December 31, 2013.

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 that optimizes the cost of capital at acceptable levels of risk.

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

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

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

(c) raising capital through equity and debt financings.

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 and restrictions on redemption.

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, 2013 and 2012, 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, 2013, PCIC declared and paid to Class C shareholders dividends totaling $19 (2012 - $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, 2013.

Risk Management:

Financial Instrument Risk:

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:

	2013	2012
Investments at fair value lent under SLA – carrying amount	**$ 322**	$ 717
Fair value of collateral held for investments lent under SLA	**676**	969

The investment operations of Pinetree's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets and liabilities currently comprised of financial instruments. The use of financial instruments can expose the Company to 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 that 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 that 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 that the Company manages liquidity risk since December 31, 2012. 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 that 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

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, 2013:

	Payments due by period				
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Accounts payable and accrued liabilities	**$ 1,396**	**$ 1,396**	**$ -**	**$ -**	**$ -**
Income taxes payable	**1,998**	**1,998**	**-**	**-**	**-**
Convertible debentures due May 16, 2016	**48,868**	**-**	**48,868**	**-**	**-**
	$ 52,262	**$ 3,394**	**$ 48,868**	**$ -**	**$ -**

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 source of liquidity by assets as at December 31, 2013:

	Liquidity by period				
Assets	**Total**	**Less than 1 year**	**1 – 3 years**	**After 4 years**	**Non-liquid assets**
Cash and cash equivalents	**$ 249**	**$ 249**	**$ -**	**$ -**	**$ -**
Due from brokers	**3,029**	**3,029**	**-**	**-**	**-**
Investments at fair value	**133,965**	**105,656**	**28,309**	**-**	**-**
Prepaids and other receivables	**358**	**167**	**-**	**-**	**191**
Property, plant and equipment	**675**	**-**	**-**	**-**	**675**
Deferred tax assets	**13,000**	**-**	**-**	**-**	**13,000**
	$ 151,276	**$ 109,101**	**$ 28,309**	**$ -**	**$ 13,866**

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

	Liquidity by period				
Assets	Total	Less than 1 year	1 – 3 years	After 4 years	Non-liquid assets
Cash and cash equivalents	$ 236	$ 236	$ -	$ -	$ -
Due from brokers	14	14	-	-	-
Investments at fair value	270,180	245,499	24,681	-	-
Prepaids and other receivables	213	32	-	-	181
Property, plant and equipment	860	-	-	-	860
Deferred tax assets	23,047	-	-	-	23,047
	$ 294,550	$ 245,781	$ 24,681	$ -	$ 24,088

(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 that the Company manages market risk since December 31, 2012. The Company manages market risk by having a portfolio that is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the 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, 2013 from a change in the closing trade price of the Company's investments with all other variables held constant as at December 31, 2013:

Percentage of change in closing trade price	**Decrease in loss from % increase in closing trade price**	**Increase in loss from % decrease in closing trade price**
2%	**$ 2,324**	**$ (2,324)**
4%	**4,649**	**(4,649)**
6%	**6,973**	**(6,973)**
8%	**9,297**	**(9,297)**
10%	**11,621**	**(11,621)**

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)

(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, 2013, the Company did not have any significant

interest rate risk. 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 convertible debentures bear interest at a fixed rate.

Due to brokers and bank indebtedness 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 that the Company manages interest rate risk since December 31, 2012. 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

(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 that the Company manages currency risk since December 31, 2012.

The Company believes that 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:

	2013	2012
Denominated in U.S. dollars:		
Investments	**$ 12,720**	$ 5,424
Cash and cash equivalents	**17**	34
Due from brokers	**334**	-
Prepaids and other receivables	**1**	23
Due to brokers	**-**	(1,450)
Accounts payable and accrued liabilities	**(18)**	(27)
Net assets denominated in U.S. dollars	**13,054**	4,004
Denominated in Australian dollars:		
Investments	**2,601**	7,860
Due from brokers	**100**	1,118
Net assets denominated in Australian dollars	**2,701**	8,978
Denominated in British pounds:		
Investments	**872**	1,158
Due from brokers	**484**	421
Net assets denominated in British pounds	**1,356**	1,579
Denominated in Israeli shekels:		
Investments	**-**	6
Net assets denominated in Israeli shekels	**-**	6

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2013 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, 2013:

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%	**$ 192**	**$ (192)**
4%	**384**	**(384)**
6%	**576**	**(576)**
8%	**768**	**(768)**
10%	**960**	**(960)**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2013 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, 2013:

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%	**$ 40**	**$ (40)**
4%	**79**	**(79)**
6%	**119**	**(119)**
8%	**159**	**(159)**
10%	**199**	**(199)**

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)

(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 that the Company manages credit risk since December 31, 2012.

As at December 31, 2013, the total fair value of the Company's investments in convertible debentures, convertible notes and promissory notes was $6,187 (2012 - $2,406). The Company believes that it is not significantly exposed to credit risk, as these investments comprise 4.6% (2012 – 0.9%) 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 with the prime broker. The securities on loan continue to be included in investments on the consolidated statements of financial position. The Company believes that 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, 2013, the total fair value of investments loaned to third parties was $322 (2012 - $717), which comprise 0.2% (2012 – 0.3%) 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 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 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.

(l) Deferred Tax Assets:

The Company has recognized a portion of its deferred tax assets as previously discussed under Results of Operations. There is a risk that the Company may not realize the benefit of the recognized deferred tax assets by not generating sufficient taxable income. See "Recognition of Deferred Tax Assets" under the "Critical Accounting Estimates" section.

Outstanding Share Data:

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

As at March 6, 2014, 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	**152,141,070**
Issuable under options	**14,331,900**
Issuable under conversion of Debentures (i)	**14,320,941**
Total diluted common shares	**180,793,911**

(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 11 of the Notes to the consolidated financial statements as at and for the year ended December 31, 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.

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, 2013.

Changes in Accounting Policies:

Details of the Company's significant accounting policies can be found in note 3 and future accounting changes can be found in note 19 to the Company's annual consolidated financial statements as at and for the year ended December 31, 2013. The Company is currently assessing what impact, if any, the application of the new standards or amendments (as disclosed in note 19 to the Company's annual consolidated financial statements as at and for the year ended December 31, 2013) will have on the consolidated financial statements.

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.

(a) IFRS 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 resulted in additional disclosures for offset amounts in notes 6 and 8(a) to the Notes to the consolidated financial statements for the year ended December 31, 2013 and 2012.

(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 does not have any material subsidiaries outside of those disclosed in note 2(c) of the consolidated financial statements for the year ended December 31, 2013 and 2012 that require additional disclosures. The Company does not have any associates that are individually material nor any associates that are accounted for using the equity method that require additional disclosures. The Company does not have interests in joint arrangements or interest in unconsolidated

structured entities. The Company has assessed and determined that the adoption of IFRS 12 did not result in any significant 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. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair value.

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 that the security traded if there were no trades at the consolidated statement of financial position date. Management believes 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 that 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.

IFRS 13 also requires additional disclosures. Additional disclosures where required are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 5(a) in the Notes to the consolidated financial statements for the year ended December 31, 2013 and 2012.

(f) IAS 19R, *Employee Benefit*s, features 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 and instead 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 consolidated financial 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. The Company accounts for its investments in associates at fair value (as permitted by IAS 28) and does not have any investments accounted for using the equity method. Therefore, the amendments to IAS 28 do not impact the Company.

(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 consolidated financial statements.

At the date of authorization of this MD&A, the IASB and the International Financial Reporting Interpretations Committee has issued the following new and revised Standards and Interpretations that are not yet effective for the relevant reporting periods and the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The Company intends to adopt these standards, if applicable, when the standards become effective:

(a) *Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) - These amendments are effective for annual periods beginning on or after January 1, 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

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 assets ("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.

Within Level 3 of the financial instruments hierarchy, the valuation of the Company's private company investments and other investment instruments such as loans to investees and convertible debentures, which are not quoted on an exchange, involve the key assumptions including the value at which a recent financing was done by the investee and significant changes in general market conditions. 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 size of our private investment portfolio, such changes may have a significant impact on our financial condition or operating results.

For those investments valued based on recent financing and other valuation techniques, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2013 and 2012. For those investments valued based on general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- $1,418 (2012 - $2,122) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

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

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, 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 $13,000 as at December 31, 2013 (2012 - $23,047). The full deferred tax assets was $56,959 (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 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, 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
November 29, 2013	250,000	0.27	November 28, 2018
Total granted	3,820,000		

The fair value of the options granted during the year ended December 31, 2013 was estimated at the date of grant using the following 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**
Fair value per stock option granted on November 29, 2013	**$ 0.12**

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 are no reliable observable and 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 December 31, 2013, the Company has valued all non-tradable warrants using intrinsic value for a total fair value of $1,648 (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.