



## Management's Discussion and Analysis

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**For the Three Months Ended:**                      **March 31, 2015**

**Date of Report:**                                      **May 12, 2015**

This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Pinetree Capital Ltd. ("Pinetree" or the "Company") should be read in conjunction with Pinetree's unaudited condensed consolidated interim financial statements and notes thereto as at and for the three months ended March 31, 2015. The same accounting policies and method of computation were followed in the preparation of the unaudited condensed consolidated interim financial statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2014.

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

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

### **Special Note Regarding Forward-Looking Information:**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as at the date of this MD&A or as at the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

<b>Forward-looking information</b>	<b>Assumptions</b>	<b>Risk factors</b>
The Company's anticipated plans to acquire a portfolio of investments that could create significant value for shareholders.	Financing will be available for future acquisitions by the Company; investee companies of Pinetree will be able to fund their operations; the Company will be	Important factors that could cause actual results to differ materially from Pinetree's expectations include, but are not limited to, in particular, past success or achievement does

	<p>able to retain and attract skilled staff; the Company's management team has the ability to identify and execute investments; the Company's investment philosophy will create shareholder value; all requisite regulatory and governmental approvals for development projects will be received on a timely basis upon terms acceptable to the Company; and continuing recovery of the Canadian and US economies and financial markets.</p>	<p>not guarantee future success; negative investment performance; downward market fluctuations; downward fluctuations in commodity prices; uncertainties relating to the availability and costs of financing needed in the future.</p>
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<p>Pinetree's ability to comply with its obligations under the forbearance agreement and the indenture, repay amounts which may become due and payable on its convertible debentures, and continue as a going concern.</p>	<p>The Company anticipates it will comply with the forbearance agreement and indenture. Currently, Pinetree has adequate cash and investments carried at fair value to fund its operating and investment activities for the twelve month period ending March 31, 2016 as the Company can control the pace at which it invests its capital.</p>	<p>Adverse changes in debt and equity markets could limit Pinetree's ability to comply with its obligations under the forbearance agreement and the indenture, repay amounts which may become due and payable on its convertible debentures, and continue as a going concern. In particular, Pinetree may not realize sufficient proceeds from the disposition of its investments (which will be based upon market conditions beyond Pinetree's control) or otherwise raise capital in order to fund Pinetree's obligations as they become due, market fluctuations, fluctuations in prices of commodities underlying its 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.</p>
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Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section in this MD&A. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Pinetree’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

**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, with early-stage investments in resource, biotechnology and technology companies.

**Overall Performance:**

As at March 31, 2015, the Company held investments at fair value totalling \$87,156 as compared to \$106,760 as at December 31, 2014, a 18% decrease primarily attributable to the dispositions of investments during the quarter.

As at March 31, 2015, net asset value per share (“NAV per share”) was \$0.22 as compared to \$0.25 as at December 31, 2014, a 12% 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:

	<b>NAV per share*</b>
	<b>\$</b>
March 31, 2015	<b>0.22</b>
December 31, 2014	0.25
September 30, 2014	0.63
June 30, 2014	0.78
March 31, 2014	0.85
December 31, 2013	0.65
September 30, 2013	0.85
June 30, 2013	0.76

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

On January 23, 2015, the Company’s existing default of one of its debt covenants became an “Event of Default” under the indenture governing its 10.0% Convertible Secured Debentures due May 31, 2016 (the “Debentures”). On February 13, 2015, the Company entered into a forbearance agreement with

the debenture trustee, on behalf of the holders of the Debentures ("Debentureholders"), whereby the trustee and the Debentureholders agreed to refrain from exercising their rights in respect of the Event of Default, and subsequent defaults of the debt covenant, including the right to accelerate payment of the principal amount of the Debentures, until October 31, 2015, subject to certain conditions.

One of the conditions contained in the forbearance agreement requires that the Company reduce the aggregate principal amount of the outstanding Debentures by \$20,000 no later than July 31, 2015. On March 26, 2015, the Company gave notice to the Debentureholders that it would partially redeem an aggregate of \$10,000 principal amount of Debentures, at par plus accrued interest, representing a total redemption price payable of \$10,413. The partial redemption was effected on April 30, 2015, the costs of which were funded from available cash, which totaled in excess of \$14,000 as at March 31, 2015. On April 30, 2015, the Company announced that it would redeem an additional \$10,000 principal amount of Debentures, at par plus accrued interest on June 5, 2015, representing a total redemption price payable of \$10,014. Upon completion of the June 2015 redemption, the Company will have satisfied the \$20,000 debt reduction condition in the forbearance agreement.

In connection with the forbearance agreement that the Corporation entered into in February 2015, Sheldon Inwentash retired as Chairman and Chief Executive Officer and Richard Patricio, Pinetree's then Vice President, Corporate & Legal Affairs, was appointed as CEO. Marshall Auerback and Roger Rai stepped off the board, along with Mr. Inwentash, and were replaced with Jonathan Pollack, Andrew Steuter and John Varghese, as the nominees of the Debentureholders. Andrew Fleming was appointed as Chairman.

In accordance with the forbearance agreement, the board also constituted an Investment Oversight Committee, the members of which are Mr. Steuter and Mr. Varghese.

See the "Going Concern Uncertainty" and "Liabilities" sections elsewhere in this MD&A for additional information concerning the Debentures and the Company's agreement with the Debentureholders.

### **Going Concern Uncertainty**

Prior to and continuing as of December 31, 2014, the Company was in default of a restrictive debt covenant contained in the indenture governing its Debentures, which prohibits Pinetree's debt-to-assets ratio from exceeding 33% as at the end of each month (the "Debenture Covenant"). On January 23, 2015, the default became an "Event of Default" under the indenture when it was neither cured nor waived by that date. Following the occurrence of an Event of Default under the indenture, the trustee and the Debentureholders have certain rights, including the right to declare the principal amount of the Debentures and accrued interest thereon immediately due and payable. However, on February 13, 2015, the Company entered into a forbearance agreement with Equity Financial Trust Company, as trustee on behalf of the Debentureholders, whereby the trustee and the Debentureholders agreed to refrain from exercising their rights under the indenture or otherwise in respect of the existing Event of Default or a subsequent default of the Debenture Covenant until October 31, 2015, unless the Company breaches the forbearance agreement.

Under the terms of the forbearance agreement, among other things, the Company is required, by July 31, 2015, to reduce the outstanding principal amount of the Debentures by \$20,000 and will be subject to a covenant that limits its debt-to-assets ratio to 50% (as at month-end) for the three-month period

of July through to September 2015 (the "Forbearance Covenant"). The Company also granted security over its consolidated assets to the Debentureholders to secure its obligations under the Debentures.

The Company's ability to comply with the terms and conditions of the forbearance agreement is dependent primarily upon its ability to generate the necessary funds to satisfy its commitment to purchase Debentures and to otherwise manage its debt-to-assets ratio at or below the 50% ratio permitted in the Forbearance Covenant during the period of July to September 2015. In addition, the Company's ability to comply with the terms and conditions of the indenture is dependent primarily upon its ability to manage its debt-to-assets ratio at or below the 33% ratio permitted in the Debenture Covenant during the period of October 2015 to maturity of the Debentures in May 2016.

The Company exercised its right under the indenture governing the Debentures to partially redeem \$10,000 principal amount of the outstanding Debentures effective April 30, 2015. As at March 31, 2015, the Company had accumulated approximately \$14,065 in cash and cash equivalents, part of which was used to fund the April redemption. On April 30, 2015, the Company announced it would partially redeem a further \$10,000 principal amount of Debentures on June 5, 2015, the cost of which would be funded from available cash from the disposition of investments subsequent to March 31, 2015. Upon completion of the June redemption, the Company will have satisfied its debt reduction commitment under the forbearance agreement.

To a certain extent, Pinetree's ability to manage its debt-to-assets ratio, beyond managing its debt level, remains outside of the Company's control given the nature of Pinetree's assets, which can experience sudden and significant changes in value, and the variables associated with the Company's ability to access external sources of capital to expand the portfolio or to otherwise increase its asset base. Accordingly, there is no certainty that the Company will be able to comply with the Forbearance Covenant or return to being in compliance with the Debenture Covenant when required to do so, the effect of which creates significant doubt about the Company's ability to continue as a going concern.

As the year progresses, the Company may look to reducing the principal amount of the Debentures outstanding beyond its forbearance commitment, and to expanding its asset base through portfolio investments or other forms of acquisitions, depending on the availability of funds and of alternative uses of the funds existing at the applicable time, and the opportunities that may present themselves. The Company's access to capital will be dependent upon the performance of its investments over time and its ability to raise funds through equity-based transactions, factors which are outside of Pinetree's control.

If the Company breaches the forbearance agreement or the indenture, the trustee or the Debentureholders may declare the principal amount of the Debentures (and accrued interest) immediately due and payable by the Company. It is uncertain whether the Company could generate sufficient funds from proceeds of dispositions of its investments, or otherwise, to repay the total amount owing to Debentureholders, if and when required to do so. Furthermore, because the Debentures are secured by all of the Company's assets, including its investments, if the Debentureholders realize on their security, the Company may not have sufficient assets, or any assets remaining following repayment of its Debenture obligations to enable it to continue as a going concern. If the proceeds of realization are insufficient to pay off all of the Company's obligations to the Debentureholders, the Company would remain liable for the balance owing and would not be able to continue as a going concern.

The unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2015 and this MD&A, do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not used, the liquidation value of the Company's investment portfolio could be significantly less than its carrying value as at March 31, 2015. Such an adjustment could have a material impact on the Company's reported total assets and net loss for the period.

### Summary of Investment Portfolio:

Investments consist of the following as at March 31, 2015:

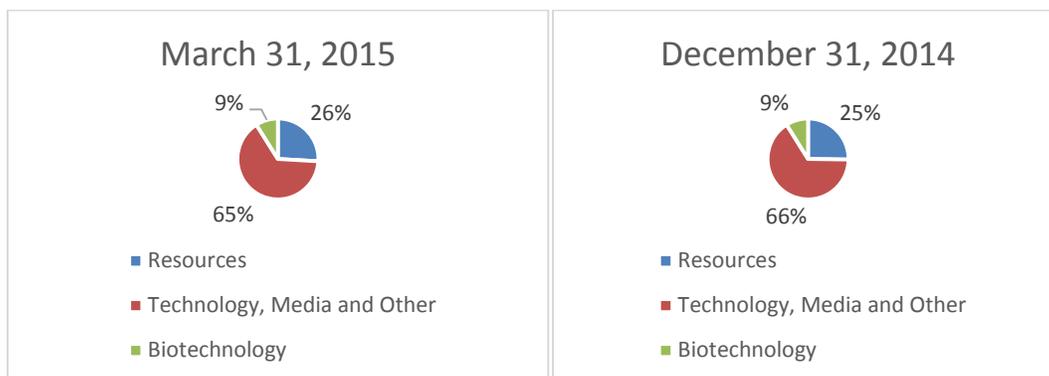
<b>Investments</b>	<b>Cost</b>	<b>Total fair value</b>
Equities	\$ 151,317	\$ 75,282
Warrants	-	7,388
Promissory notes and convertible debentures	4,675	4,486
<b>Total investments</b>	<b>\$ 155,992</b>	<b>\$ 87,156</b>
Investments denominated in foreign currencies		\$ 17,766
% of investments denominated in foreign currencies		20.4%

Investments consist of the following as at December 31, 2014:

<b>Investments</b>	<b>Cost</b>	<b>Total fair value</b>
Equities	\$ 196,722	\$ 95,273
Warrants	-	7,213
Promissory notes and convertible debentures	4,675	4,274
<b>Total investments</b>	<b>\$ 201,397</b>	<b>\$ 106,760</b>
Investments denominated in foreign currencies		\$ 28,940
% of investments denominated in foreign currencies		27.1%

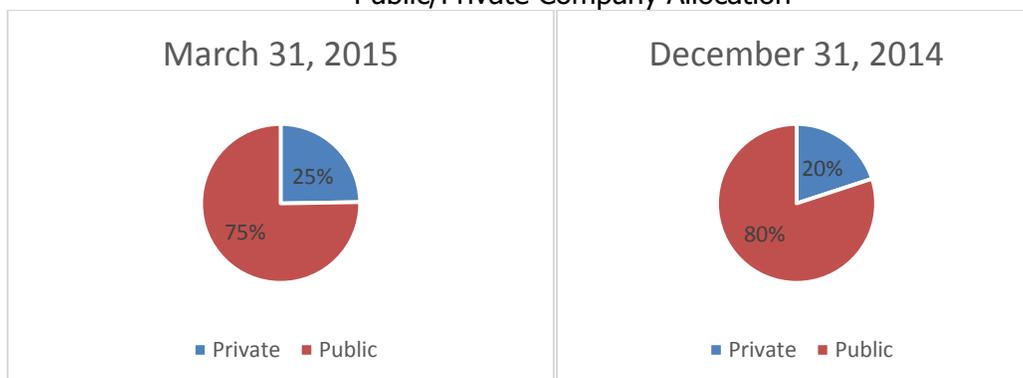
The following information regarding our portfolio is historical as at the dates indicated and may change due to the ongoing investment activities of the Company, in addition to fluctuations in the fair values of investments.

#### Industry Allocation\*



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

#### Public/Private Company Allocation\*



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

The fair value of Pinetree's publicly-traded investments is determined in accordance with the Company's accounting policy. The amounts at which the Company's publicly-traded investments could be disposed of currently may differ from their carrying values based on market quotes, as the value at which 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 unaudited condensed consolidated interim financial statements.

As at March 31, 2015, included in total investments were securities of private companies with a fair value totalling \$20,374 (24% of total fair value of the Company's investments; cost of \$36,054). As at December 31, 2014, included in total investments were securities of private companies with a fair value totalling \$19,944 (19% of total fair value of the Company's investments; cost of \$36,245). The fair value of the private companies increased mainly due to the change of foreign exchange rate of US dollar against Canadian dollar from 1.1601 as at December 31, 2014 to 1.2666 as at March 31, 2015.

The fair value was determined in accordance with the Company's accounting policy for private company investments. The amounts at which the Company's private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments.

Refer to note 3 of the Notes to the unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2015 for other details about the Company's investments.

### Results of Operations:

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

	<b>Quarter ended (unaudited)</b>			
	<b>March 31, 2015</b>	December 31, 2014	September 30, 2014	June 30, 2014
Net investment gains (losses)	<b>\$ (3,549)</b>	\$ (52,626)	\$ (22,499)	\$ 6,775
Net profit (loss) for the period	<b>(7,155)</b>	(77,073)	(26,501)	2,708
Total comprehensive income (loss) for the period	<b>(7,144)</b>	(77,072)	(26,501)	2,708
Earnings (loss) per share based on net profit (loss) for the period – basic	<b>(0.04)</b>	(0.38)	(0.13)	0.02
Earnings (loss) per share based on net profit (loss) for the period – diluted	<b>(0.04)</b>	(0.38)	(0.13)	0.02

	<b>Quarter ended (unaudited)</b>			
	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Net investment gains (losses)	\$ 34,720	\$ (11,883)	\$ 9,029	\$ (61,555)
Net profit (loss) for the period	30,276	(26,280)	12,828	(62,937)
Total comprehensive income (loss) for the period	30,276	(26,279)	12,827	(62,936)
Earnings (loss) per share based on net profit (loss) for the period – basic	0.20	(0.18)	0.09	(0.44)
Earnings (loss) per share based on net profit (loss) for the period – diluted	0.16	(0.18)	0.04	(0.44)

### Three Months Ended March 31, 2015 and 2014

The net investment losses for the three months ended March 31, 2015 was \$3,549 (three months ended March 31, 2014 – net investment gains of \$34,720) 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 March 31, 2015, the Company generated net realized losses on disposal of investments of \$29,481, as compared to \$270,993 for the three months ended March 31, 2014.

For the three months ended March 31, 2015, the Company had a net change in unrealized gains on investments of \$25,932 as compared to \$305,713 for the three months ended March 31, 2014. Net change in unrealized gains for the three months ended March 31, 2015 was mainly related to the unrealized gain on junior resource companies and the foreign exchange gain on private companies denominated in the US dollar. Of the net change in unrealized gains for the three months ended March 31, 2014, \$265,546 was from the reversal of previously recognized net unrealized losses on the disposal of investments and \$40,167 from the write-up to market on the Company's investments.

For the three months ended March 31, 2015, other income totalled \$180 as compared to \$284 for the three months ended March 31, 2014. Other income is comprised of interest and dividend income of \$99 (three months ended March 31, 2014 - \$200) and \$81 (three months ended March 31, 2014 - \$81) from consulting fees, rental income, and other fees and \$nil from securities lending revenue (three months ended March 31, 2014 - \$3).

Operating, general and administrative expenses for the three months ended March 31, 2015 decreased to \$1,988 from \$2,172 for the three months ended March 31, 2014. A breakdown of operating, general and administrative expenses for the indicated three month periods ended March 31 is set out below. Details of the changes between periods follow the table:

	<b>2015</b>	2014
Salaries (a)	\$ <b>223</b>	\$ 522
Professional fees (b)	<b>310</b>	52
Transaction costs (c)	<b>139</b>	725
Stock-based compensation expense (d)	<b>184</b>	155
Operating lease payments	<b>146</b>	148
Consulting and directors' fees (e)	<b>668</b>	141
Transfer agent, filing fees and other information systems	<b>190</b>	111
Travel and other (f)	<b>9</b>	138
Employee benefits	<b>63</b>	48
Other office and general	<b>135</b>	182
Amortization	<b>8</b>	26
Foreign exchange gain	<b>(87)</b>	(76)
	<b>\$ 1,988</b>	\$ 2,172

- (a) Salaries decreased by \$299 as compared to the three months ended March 31, 2014. The decrease was primarily due to the decrease of the number of employees of the Company for the three months ended March 31, 2015 compared to same period last year.
- (b) Professional fees increased by \$258 as compared to the three months ended March 31, 2014. Fees were higher in 2015 primarily due to legal fees incurred in connection with forbearance agreement and fees for valuation services.
- (c) Transaction costs decreased by \$586 as compared to the three months ended March 31, 2014, 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) Stock-based compensation expense increased by \$29 as compared to the three months ended March 31, 2014. 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.
- (e) Consulting and directors' fees increased by \$527 as compared to the three months ended March 31, 2014, due to the payment of retention bonuses, payments for renegotiated service contracts and higher director fees during the three months ended March 31, 2015.
- (f) Travel and other decreased by \$129 as compared to the three months ended March 31, 2014, due to cost reduction initiatives undertaken by management.

Finance expense decreased to \$1,798 in the three months ended March 31, 2015 as compared to \$2,556 in the three months ended March 31, 2014. The decrease was primarily attributable to a decrease in the accretion of discount on the outstanding Debentures.

Net loss for the three months ended March 31, 2015 was \$7,155 (\$0.04 basic loss per share) as compared to net income of \$30,276 (\$0.20 basic income per share) for the three months ended March 31, 2014.

For the three months ended March 31, 2015, the Company had an exchange gain on translation of foreign operations of \$11 as compared to \$nil for the three months ended March 31, 2014. As a result, total comprehensive loss for the three months ended March 31, 2015 was \$7,144 as compared to total comprehensive income of \$30,276 for the three months ended March 31, 2014.

#### **Cash Flow:**

Net cash from operating activities was \$14,386 during the three months ended March 31, 2015 as compared to net cash used in operating activities of \$19 during the three months ended March 31, 2014. During the three months ended March 31, 2015, the Company had proceeds from disposition of investments of \$17,629, a decrease of \$48,068, when compared to \$65,697 of proceeds from dispositions during the three months ended March 31, 2014. During the three months ended March 31, 2015, the Company purchased \$1,570 of investments, a decrease of \$58,548 as compared to \$60,118 of investments purchased during the three months ended March 31, 2014.

During the three months ended March 31, 2015, net cash used in investing activities was \$nil as compared to \$7 during the three months ended March 31, 2014. During the three months ended March 31, 2014, the investing activities related to the purchases of property, plant and equipment.

During the three months ended March 31, 2015, net cash used in financing activities was \$545 as compared to \$nil during the three months ended March 31, 2014. During the three months ended March 31, 2015, the financing activities related to the transaction costs for convertible debentures.

For the three months ended March 31, 2015, the Company had a net increase in cash and cash equivalents of \$13,841 as compared to a net decrease in cash and cash equivalents of \$26 for the three months ended March 31, 2014. For the three months ended March 31, 2015, the Company also had a gain from the exchange difference on the translation of foreign operations of \$11 as compared

to \$nil for the three months ended March 31, 2014. As a result, as at March 31, 2015, the Company had a cash and cash equivalents balance of \$14,065 as compared to \$213 as at December 31, 2014.

### Liquidity and Capital Resources:

<b>Consolidated Statements of Financial Position Highlights</b>	<b>March 31, 2015</b>	December 31, 2014
Investments at fair value	\$ <b>87,156</b>	\$ 106,760
Total assets	<b>102,374</b>	108,748
Total liabilities	<b>58,173</b>	57,587
Share capital, warrants, contributed surplus, equity component of convertible debentures and foreign currency translation reserve	<b>416,547</b>	416,352
Deficit	<b>(372,346)</b>	(365,191)
<b>NAV per share – Basic (i)</b>	\$ <b>0.22</b>	\$ 0.25
<b>NAV per share – Diluted (i)</b>	\$ <b>0.22</b>	\$ 0.21

(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, and capital raising activities such as equity financings.

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.

Since October 31, 2014, the Company has been in default of the Debenture Covenant (see "Going Concern Uncertainty" and "Liabilities" section) and is subject to the terms and conditions of the forbearance agreement, which requires, among other things, that by July 31, 2015, the Company reduce the outstanding principal amount of the Debentures by \$20,000.

During the three months ended March 31, 2015, the Company exercised its right to partially redeem the Debentures, in accordance with the terms of the trust indenture governing the Debentures, by notice to the Debentureholders. On April 30, 2015 (the "First Redemption Date"), Pinetree redeemed \$10,000 of the \$54,822 aggregate principal amount of Debentures then outstanding, on a *pro rata* basis at par, together with all accrued and unpaid interest thereon up to but excluding the First Redemption Date, for a total redemption amount equal to \$10,414. On April 30, 2015 the Company announced that it would redeem an additional \$10,000 principal amount of the Debentures on June 5, 2015 (the "Second Redemption Date"), in accordance with the terms of the indenture governing the Debentures, on a *pro rata basis* at par, together with all accrued and unpaid interest thereon up to but excluding the Second Redemption Date, for a total redemption amount equal to \$10,014.

The April partial redemption was, and the June partial redemption will be, funded from existing cash on hand raised from investment dispositions, and will satisfy the Company's debt reduction obligation.

The Company's ability to comply with the Forbearance Covenant for the three-month period of July through September and the Debenture Covenant commencing October 31, 2015 will depend on further

reduction of its outstanding debt and the fair value of its assets. The Company intends to manage its debt-to-assets ratio, to the extent possible, by maximizing opportunities to raise funds for debt reduction through asset dispositions and from external sources and assess optimal ways to grow its asset base.

If the Company breaches the forbearance agreement or the indenture governing the Debentures, the principal amount of the Debentures (and accrued interest) could become immediately due and payable by Pinetree. The Company's management does not believe it could generate sufficient proceeds from the disposal of its investments to repay principal and interest on Debentures if required to do so on demand, however, if given sufficient time, subject to market volatilities and demand for its investments, the Company believes that it could generate sufficient funds to settle the full amount of the Debentures from dispositions of its investments. Nevertheless, the Company's obligations in respect of the Debentures are secured by all of its assets, including its investment portfolio, and if Pinetree fails to satisfy its obligations in full in respect of the Debentures when required to do so, the Debentureholders could exercise their rights and enforce their security, which would include taking control over all of the Company's investments.

### **Liabilities:**

As at March 31, 2015, the carrying value of total liabilities was \$58,173 as compared to \$57,587 as at December 31, 2014, a 1% increase attributable to an increase in the accrual for interest payable on the Debentures.

As at March 31, 2015, included in accounts payable and accrued liabilities are Class C preferred share liabilities of \$231 (December 31, 2014 - \$239). 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 March 31, 2015, the redemption price was \$10 per share and the retraction price in effect was \$0.89 per share (December 31, 2014 - \$0.62 per share). During the three months ended March 31, 2015, 800 Class C Shares were cancelled by PCIC following their retraction by the holders at \$0.74 per share plus accrued and unpaid dividends. As at March 31, 2015, 23,100 Class C Shares (December 31, 2014 - 23,900 Class C Shares) were issued and outstanding.

As at March 31, 2015, the Company had recorded an estimated income tax payable (including interest) of \$1,700 (December 31, 2014 - \$1,700) relating to corporate minimum tax payable. The income tax payable recorded for the three months ended March 31, 2015 may differ from the actual amount due for the year ended December 31, 2015 when the Company files its tax returns.

As at March 31, 2015, included in accounts payable and accrued liabilities was \$1,817 (December 31, 2014 - \$466) of accrued interest in respect of the Debentures. The Debentures bear interest at a rate of 10% per annum, payable semi-annually and are convertible, at the option of the holders, into common shares of the Company on the basis of a conversion price of \$4.25 per share, subject to adjustment under certain circumstances. As previously discussed, the Debentures are subject to debt incurrence and maintenance covenants, among other covenants.

As at March 31, 2015, the fair value of the Debentures was \$46,045 (December 31, 2014 - \$42,761) based on the closing trade price of the Debentures, which are listed on the TSX under the symbol "PNP.DB".

Since October 31, 2014, the Company has not been in compliance with the Debenture Covenant, which prohibits Pinetree's debt-to-assets ratio from exceeding 33% as at the end of each month. On January 23, 2015, the default of the Debenture Covenant became an "Event of Default" under the indenture governing the Debentures when the default was neither cured nor waived by that date, as required pursuant to the notice of default received by the Company from the Equity Financial Trust Company, as trustee on behalf of the Debentureholders. On February 13, 2015, the Company entered into a forbearance agreement with the trustee on behalf of the Debentureholders, in connection with the Event of Default. Pursuant to the terms of the forbearance agreement, until October 31, 2015, the trustee and the Debentureholders will refrain from exercising any rights or remedies that they may have under the indenture or otherwise in respect of the Event of Default and any subsequent default of the Debenture Covenant, unless a breach of the forbearance agreement occurs. As a result of the agreement reached with Debentureholders:

- The Company's obligations in respect of the Debentures are now secured by its consolidated assets.
- By July 31, 2015, the Company is required to reduce the aggregate principal amount of the outstanding Debentures by at least \$20,000.
- For the three-month period of July through September 2015, the Company will be subject to a covenant that limits its debt-to-assets ratio to 50% and reverts back to 33% as of October 1, 2015.
- The Company can redeem the Debentures at par at any time.

For accounting purposes, the Company determined that the amended terms of the Debentures were not substantially modified due to the forbearance agreement. In accordance with the terms of the forbearance agreement, the effective interest rate has been revised to reflect cash flow assumptions.

If the Company breaches the forbearance agreement, the principal amount of the Debentures (and accrued interest) could become immediately due and payable by Pinetree. The Company's management does not believe it can generate sufficient proceeds from the disposal of its investments to repay principal and interest on Debentures if required to do so immediately, however, over a period of time, subject to market volatilities and demand for its investments, the Company believes that it could generate sufficient funds to settle the full amount of the Debentures from dispositions of its investments.

In these circumstances, the liquidation value of the Company's portfolio may be significantly less than its carrying value as at March 31, 2015. The accelerated repayment of the Debentures under the forbearance agreement would significantly reduce the Company's investments and the reduction of these assets would be material.

The Company's debt-to-assets ratio was 55.3% as at March 31, 2015 (December 31, 2014 – 50.8%).

## Commitments:

As at March 31, 2015, the Company had material commitments for cash resources of \$65,859 (December 31, 2014 - \$67,735), a decrease of \$1,876, 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 March 31, 2015 is as follows:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 237	\$ 237	\$ -	\$ -	\$ -
Income taxes payable	1,700	1,700	-	-	-
Debentures (principal amount) (i)	54,822	54,822	-	-	-
Interest on Debentures (i)	3,792	3,792	-	-	-
Lease commitments	5,308	443	1,800	1,226	1,839
	<b>\$ 65,859</b>	<b>\$ 60,994</b>	<b>\$ 1,800</b>	<b>\$ 1,226</b>	<b>\$ 1,839</b>

(i) Assumes the Debentures will be repaid in full prior to maturity and within one year.

A breakdown of the Company's liabilities and obligations as at December 31, 2014 is as follows:

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 901	\$ 901	\$ -	\$ -	\$ -
Income taxes payable	1,700	1,700	-	-	-
Debentures (principal amount) (a)	54,822	54,822	-	-	-
Interest on Debentures (a)	4,857	4,857	-	-	-
Lease commitments	5,455	590	1,800	1,226	1,839
	<b>\$ 67,735</b>	<b>\$ 62,870</b>	<b>\$ 1,800</b>	<b>\$ 1,226</b>	<b>\$ 1,839</b>

(a) Assumes the Debentures will be repaid in full prior to maturity and within one year.

As at March 31, 2015, included in accounts payable and accrued liabilities are \$231 of Class C Shares (December 31, 2014 - \$239). 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.

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 is currently seeking a subtenant for its office space to reduce its ongoing lease obligations. The Company also has consulting agreements with officers representing fees payable of approximately \$34 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 three months ended March 31:

Type of service	Nature of relationship	2015	2014
Salaries, consulting fees and other benefits	Officers	\$ 524	\$ 327
Director fees (i)	Directors	76	28
Stock-based compensation expense	Directors and officers	145	121

- (i) Non-management directors of the Company are entitled to remuneration for their services at rates approved by the board of directors. In addition, directors are reimbursed for reasonable travelling, hotel and other incidental expenses in respect of attending meetings of the directors.
- (b) During the three months ended March 31, 2015, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 31, 2015	1,500,000	\$ 0.16	March 30, 2020

During the three months ended March 31, 2014, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 31, 2014	1,250,000	\$ 0.50	March 30, 2019

- (c) Investments in associates:

The Company's directors and officers may have investments in and hold management and/or director positions in some of the Company's 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. However, the Company also considers other factors when determining if it has significant influence such as board representations and officers and directors involvement with the investee. 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 consolidated statements of financial position for investments in associates are as follows as at March 31, 2015 and December 31, 2014:

	<b>March 31, 2015</b>	December 31, 2014
Investments at fair value	\$ <b>13,713</b>	\$ 20,400
Cost of investments	<b>39,381</b>	39,629

The total amounts included in the unaudited condensed consolidated interim statements of comprehensive loss for investments in associates are as follows for the three months ended March 31:

	<b>2015</b>	2014
Net change in unrealized gains (losses) on investments	\$ <b>(6,686)</b>	\$ 12,102
Interest earned on promissory notes	<b>90</b>	29

From time to time transactions occur between the Company and investee companies that are related parties to facilitate the reorganization or capitalization of the companies. These transactions are made on an arm's-length basis. No related party transactions were conducted with investee companies during the three-month periods ended March 31, 2014 and 2015.

#### **Off-Balance Sheet Arrangements:**

As at March 31, 2015, 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, except as follows:

As previously discussed, on February 13, 2015, the Company entered into a forbearance agreement in respect with its Debentures which among other things requires the Company to reduce the aggregate principal amount of the outstanding Debentures by at least \$20,000 by July 31, 2015. If the Company breaches the forbearance agreement, the principal amount of the Debentures (and accrued interest) could become immediately due and payable by Pinetree. In these circumstances, the liquidation value of the Company's portfolio may be significantly less than its carrying value as at March 31, 2015. The accelerated repayment of the Debentures under the forbearance agreement would significantly reduce the Company's investments and the reduction of these assets would be material.

#### **Internal Controls over Financial Reporting:**

##### Disclosure Controls and Procedures

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

The CEO and CFO have evaluated the design of the Company's DC&P as at March 31, 2015 and have concluded that the DC&P were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

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

#### Internal Controls over Financial Reporting

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

The design and operating effectiveness of the Company's ICFR were evaluated by the CEO and CFO in accordance with criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and NI 52-109, as at March 31, 2015. The CEO and CFO have evaluated the ICFR as at March 31, 2015. The CEO and CFO have not identified in their review any weaknesses that have materially affected or are reasonably likely to materially affect Pinetree's ICFR. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective in providing reasonable assurance that its financial reporting is reliable and its consolidated financial statements were prepared in accordance with IFRS.

There were no changes in the Company's ICFR that occurred during the three months ended March 31, 2015, 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 March 31, 2015 and December 31, 2014:

	<b>March 31, 2015</b>	December 31, 2014
Convertible debentures	<b>\$ 54,418</b>	\$ 54,520
Equity comprises of:		
Share capital	<b>306,103</b>	306,103
Warrants	<b>1,607</b>	1,607
Contributed surplus	<b>106,023</b>	105,839
Equity component of convertible debentures	<b>2,838</b>	2,838
Foreign currency translation reserve	<b>(24)</b>	(35)
Deficit	<b>(372,346)</b>	(365,191)
	<b>\$ 98,619</b>	\$ 105,681

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. Thereafter, the Company was required to maintain a debt-to-assets ratio of 33%. Since October 31, 2014, the Company has been in default of the covenant, however, the Debentureholders have agreed to refrain from exercising their rights in respect of the default until October 31, 2015, subject to the terms and conditions of the forbearance agreement entered into by the Company in February 2015.

The Company has changed its objectives in managing and maintaining capital subsequent to the year ended December 31, 2014.

The Company's objectives when managing capital are:

- (a) to ensure that the Company maintains the level of capital and debt ratios necessary to comply with the forbearance agreement and the indenture governing the Debentures (as discussed elsewhere in this MD&A); and
- (b) 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; and
- (b) raising capital through equity financings.

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. Pursuant to

the indenture governing the Debentures, the Company cannot pay dividends on its common shares for so long as an "Event of Default" exists under the indenture.

## **Risk Management:**

### Financial Instrument Risks:

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

The investment operations of Pinetree's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets and liabilities currently comprised of financial instruments. The use of financial instruments can expose the Company to the following risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

#### 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, Financial Instruments ("IFRS 9"), Pinetree is required to fair value its investments at the end of each reporting period. This process could result in significant 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, 2014. 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 junior resource industry, early stage technology sector and biotechnology sector.

The Company also has set a (cost) threshold 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 three months ended March 31, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at March 31, 2015:

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%	<b>1,441</b>	<b>(1,441)</b>
4%	<b>2,882</b>	<b>(2,882)</b>
6%	<b>4,324</b>	<b>(4,324)</b>
8%	<b>5,764</b>	<b>(5,764)</b>
10%	<b>7,205</b>	<b>(7,205)</b>

The following table shows the estimated sensitivity of the Company's after-tax loss for the three months ended March 31, 2014 from a change in the closing trade price of the Company's investments with all other variables held constant as at March 31, 2014:

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%	<b>2,830</b>	<b>(2,830)</b>
4%	<b>5,660</b>	<b>(5,660)</b>
6%	<b>8,490</b>	<b>(8,490)</b>
8%	<b>11,320</b>	<b>(11,320)</b>
10%	<b>14,149</b>	<b>(14,149)</b>

#### **Risk Factors:**

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

The Company's risks are described in its annual MD&A for the year ended December 31, 2014 which can be found on SEDAR ([www.sedar.com](http://www.sedar.com)). Additional risks not currently known to the Company or that are currently believed to be immaterial, may also affect and negatively impact the Company's business.

#### **Outstanding Share Data:**

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

As at May 12, 2015, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Pinetree are as follows:

Common shares outstanding	<b>201,929,155</b>
Stock options outstanding to purchase common shares	<b>19,870,910</b>
Warrants to purchase common shares	<b>12,332,451</b>
Debentures convertible to common shares (i)	<b>10,546,353</b>
Fully diluted common shares outstanding	<b>244,678,869</b>

- (i) Based on the conversion price of \$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 8 of the Notes to the unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2015.

### **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 three months ended March 31, 2015.

### **Changes in Accounting Policies:**

The same accounting policies and methods of computation were followed in the preparation of the unaudited condensed consolidated interim statements as were followed in the preparation and described in Note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2014.

Details of the Company's future accounting changes can be found in note 14 to the Company's unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2015. The Company is currently assessing what impact, if any, the application of the new standards or amendments will have on the consolidated financial statements.

The Company intends to adopt these standards, if applicable, when the standards become effective:

- (a) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014, which replaced IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within

the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

- (b) In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of evaluating the impact of adopting these amendments on the Company's consolidated financial statements.

### **Critical Accounting Estimates:**

The preparation of the Company's unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 trends in general market conditions and the share performance of comparable publicly-traded companies that may affect the fair value of either a particular private investment or a group, segment or complete portfolio of private investments.

Within Level 3 of the financial instruments hierarchy, the valuation of the Company's private company investments and other investment instruments such as loans to investees and convertible debentures, which are not quoted on an exchange, involve the key assumptions including the value at which a recent financing was done by the investee, trends in comparable publicly-traded companies 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 trends in comparable publicly-traded companies and general market conditions may be more frequent from period to period during times of significant volatility; however, given the size of our private investment portfolio, such changes may have a significant impact on our financial condition or operating results.

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

Valuation technique	March 31, 2015		December 31, 2014	
	Fair Value <sup>(1)</sup>	Unobservable inputs	Fair Value	Unobservable inputs
Recent financing	\$ 3,851	Transaction price	\$ 3,489	Transaction price
Trends in comparable publicly-traded companies and general market conditions	16,523	Adjustment range (-68% to -10%)	16,455	Adjustment range (-68% to 10%)
Discounted cash flows	3,856	Discount rate (15%-19%)	3,491	Discount rate (15%-19%)
	\$ 24,230		\$ 23,435	

<sup>(1)</sup> Change of fair value of investments in private companies is due to the changes of foreign exchange rate of US dollar against Canadian dollar from 1.1601 as at December 31, 2014 to 1.2666 as at March 31, 2015 and the realized gain upon disposition of investments.

For those investments valued based on recent financing, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at March 31, 2015 and December 31, 2014. For those investments valued based on trends in comparable publicly-traded companies and general market conditions, the inputs used can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- \$4,131 (December 31, 2014 - \$4.114) 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 March 31, 2015, management determined, based upon the Company's historical level of profit, historical market trends of a comparable market index and the Company's current debt default, management believes it is not probable that the Company will generate sufficient profit to realize the tax benefits of these deductible differences during the next several years. As such, the Company has recorded deferred tax assets of \$nil as at March 31, 2015 (December 31, 2014 - \$nil).

#### 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 three months ended March 31, 2015:

<b>Date Granted</b>	<b>Options Granted</b>	<b>Exercise Price</b>	<b>Expiry</b>
March 31, 2015	2,235,000	\$ 0.16	March 30, 2020

The fair value of the options granted during the three months ended March 31, 2015 was estimated at the date of grant using the following assumptions:

Black-Scholes option valuation model assumptions used	
Expected volatility	<b>76.8%</b>
Expected dividend yield	<b>0.0%</b>

Risk-free interest rate	<b>0.6%</b>
Expected option life in years	<b>3.4</b>
Expected forfeiture rate	<b>3.3%</b>
Fair value per stock option granted on March 31, 2015	<b>\$ 0.07</b>

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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim statement of comprehensive loss.

#### Valuation of Unlisted Warrants of Public Companies:

The Company uses the B-S to calculate the fair value of unlisted warrants of public companies if there are sufficient and reliable observable market inputs. If there 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 March 31, 2015, the Company has valued all non-tradable warrants using intrinsic value for a total fair value of \$7,362 (December 31, 2014 - \$7,188), which is consistent with prior periods 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 unaudited condensed consolidated interim 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.

**Subsequent events:**

On March 26, 2015, the Company gave notice to the Debentureholders that it would partially redeem the Debentures on April 30, 2015 (the "First Redemption Date"), in accordance with the terms of the indenture governing the Debentures. On the First Redemption Date, the Company redeemed \$10,000 of the \$54,822 aggregate principal amount of Debentures then outstanding, on a pro rata basis, at par, together with all accrued and unpaid interest thereon up to but excluding the First Redemption Date, for a total redemption amount equal to \$10,413, the cost of which was funded from available cash. Upon completion of the redemption, an aggregate of \$44,822 principal amount of the Debentures were outstanding.

On April 30, 2015, the Company announced that it would redeem an additional \$10,000 principal amount of the Debentures on June 5, 2015 (the "Second Redemption Date"), in accordance with the terms of the indenture governing the Debentures, on a pro rata basis, at par, together with all accrued and unpaid interest thereon up to but excluding the Second Redemption Date, for a total redemption amount equal to \$10,014, the cost of which will be funded from available cash from the disposition of investments subsequent to March 31, 2015.

**Additional Information:**

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