



PINETREE CAPITAL LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**THREE AND SIX MONTHS ENDED
JUNE 30, 2016**

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed consolidated interim financial statements of Pinetree Capital Ltd. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

Pinetree Capital Ltd.

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

Unaudited

	As at June 30, 2016	As at December 31, 2015
ASSETS		
Cash and cash equivalents (note 4)	\$ 1,171	\$ 2,336
Due from brokers (note 4)	496	199
Investments at fair value (notes 3 and 6(c))	11,331	27,864
Prepays and other receivables (note 4)	16	69
Total assets	\$ 13,014	\$ 30,468
LIABILITIES AND EQUITY		
Liabilities		
Convertible debentures (notes 2(b) and 5(b))	\$ -	\$ 9,716
Accounts payable and accrued liabilities (note 5(a))	687	1,250
Total liabilities	687	10,966
Equity		
Share capital (note 7(a))	315,032	306,103
Warrants (note 7(e))	1,607	1,607
Contributed surplus (note 7(f))	106,527	106,395
Equity component of convertible debentures (note 5(b))	-	2,838
Foreign currency translation reserve	(35)	(35)
Deficit	(410,804)	(397,406)
Total equity	12,327	19,502
Total liabilities and equity	\$ 13,014	\$ 30,468

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.

Nature of business (note 1)

Going concern and basis of presentation (note 2(b))

Subsequent events (note 13)



Pinetree Capital Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss (In thousands of Canadian dollars, except for securities and per share amounts)

Unaudited

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net investment losses				
Net realized losses on disposal of investments	\$ (8,708)	\$ (10,632)	\$ (9,842)	\$ (40,113)
Net change in unrealized (losses) gains on investments (note 6(c))	(1,156)	8,524	(476)	34,456
	(9,864)	(2,108)	(10,318)	(5,657)
Other (loss) income (note 8)	(3)	223	166	403
	(9,867)	(1,885)	(10,152)	(5,254)
Expenses				
Operating, general and administrative (notes 6(a), 7(c) and 9)	1,938	1,506	2,957	3,494
Finance expenses (note 10)	111	1,328	289	3,126
	2,049	2,834	3,246	6,620
Net loss for the period	(11,916)	(4,719)	(13,398)	(11,874)
Other comprehensive income				
Items that will be reclassified subsequently to income				
Exchange differences on translation of foreign operations	-	(11)	-	-
Total comprehensive loss for the period	\$ (11,916)	\$ (4,730)	\$ (13,398)	\$ (11,874)
Loss per common share based on net loss for the period (note 7(g))				
Basic and diluted	\$ (3.13)	\$ (2.34)	\$ (4.43)	\$ (5.88)
Weighted average number of common shares outstanding (note 7(g)) Basic and diluted	3,801,975	2,019,292	3,021,002	2,019,292

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.



Pinetree Capital Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

Unaudited

	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows provided by operating activities		
Net loss for the period	\$ (13,398)	\$ (11,874)
Items not affecting cash:		
Net realized losses on disposal of investments	9,842	40,113
Net change in unrealized gains (losses) on investments	476	(34,456)
Gain on redemption of convertible debentures	(152)	-
Realized gain on retraction of Class C preferred shares	-	(20)
Gain on purchase of convertible debentures under normal course issuer bid	(1)	-
Amortization	-	16
Stock-based compensation expense (note 7(c))	132	399
Accretion of discount on convertible debentures	-	632
	(3,101)	(5,190)
Adjustments for:		
Proceeds on disposal of investments	7,365	42,776
Purchase of investments	(1,150)	(2,482)
Due from brokers	(297)	(3,719)
Prepays and other receivables	53	4
Accounts payable and accrued liabilities	(563)	(719)
Net cash provided by operating activities	2,307	30,670
Cash flows used in financing activities		
Purchase of convertible debentures under normal course issuer bid	(27)	-
Proceeds from issue of common shares pursuant to rights offering, net	5,243	-
Redemption of convertible debentures	(2,000)	(20,000)
Repayment of convertible debentures	(6,688)	-
Transaction costs for convertible debentures	-	(545)
Cash paid for retraction of Class C shares	-	(1)
Net cash used in financing activities	(3,472)	(20,546)
Net (decrease) increase in cash and cash equivalents for the period	(1,165)	10,124
Cash and cash equivalents, beginning of period	2,336	213
Cash and cash equivalents, end of period	\$ 1,171	\$ 10,337
Supplemental cash flow information		
Dividend paid on Class C preferred shares	\$ -	\$ 9
Shares issued for redemption of convertible debentures	848	-
Finance expenses paid	409	3,213

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.



Pinetree Capital Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

(In thousands of Canadian dollars, except for number of shares)

Unaudited

	Number of shares	Share capital	Warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Deficit	Total equity
Balance, December 31, 2014	2,019,292	\$ 306,103	\$ 1,607	\$ 105,839	\$ 2,838	\$ (35)	\$ (365,191)	\$ 51,161
Net loss for the period	-	-	-	-	-	-	(11,874)	(11,874)
Total comprehensive loss for the period	-	-	-	-	-	-	(11,874)	(11,874)
Stock-based compensation expense	-	-	-	399	-	-	-	399
Balance, June 30, 2015	2,019,292	\$ 306,103	\$ 1,607	\$ 106,238	\$ 2,838	\$ (35)	\$ (377,065)	\$ 39,686
Balance, December 31, 2015	2,019,292	\$ 306,103	\$ 1,607	\$ 106,395	\$ 2,838	\$ (35)	\$ (397,406)	\$ 19,502
Net loss for the period	-	-	-	-	-	-	(13,398)	(13,398)
Total comprehensive loss for the period	-	-	-	-	-	-	(13,398)	(13,398)
Shares issued from redemption of convertible debentures	242,014	848	-	-	-	-	-	848
Shares issued from rights offering	2,261,305	5,652	-	-	-	-	-	5,652
Transaction costs for rights offering	-	(409)	-	-	-	-	-	(409)
Stock-based compensation expense	-	-	-	132	-	-	-	132
Expiry of equity component of convertible debentures	-	2,838	-	-	(2,838)	-	-	(2,838)
Balance, June 30, 2016	4,522,611	\$ 315,032	\$ 1,607	\$ 106,527	\$ -	\$ (35)	\$ (410,804)	\$ 12,327

The accompanying notes to the unaudited condensed consolidated interim financial statements are an integral part of these statements.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

1. Nature of business

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated in 1962 under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". The Company is domiciled in the Province of Ontario, Canada and its registered office address is at Suite 1100, 34 King Street East, Toronto, ON, M5C 2X8.

Pinetree is an investment and merchant banking firm focused on the small-cap market, with early-stage investments in resource, biotechnology and technology companies.

On July 20, 2016, the Company completed a share consolidation of its common shares of one (1) post-consolidation common share for every one hundred (100) pre-consolidation common shares (the "Share Consolidation"). The 1-100 Share Consolidation has been reflected in these unaudited condensed consolidated interim financial statements and all applicable references to the number of shares, warrants and stock options and their strike price and per share information has been adjusted. The actual number of shares issued and outstanding post Share Consolidation on July 20, 2016 will be slightly different due to rounding.

These unaudited condensed consolidated interim financial statements were approved by the Company's board of directors on August 4, 2016.

2. Basis of preparation

a) Statement of compliance

These condensed consolidated interim statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards ("IFRS").

The same accounting policies and methods of computation were followed in the preparation of these 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, 2015. Accordingly, these unaudited condensed consolidated interim statements for the three and six months ended June 30, 2016 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2015.

These unaudited condensed consolidated interim statements have been prepared using the historical cost convention except for some financial instruments that have been measured at fair value. All monetary references expressed in these notes are references to Canadian dollar amounts ("\$").



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

3. Financial instruments hierarchy and investments at fair value

(a) Financial hierarchy:

Investments consist of the following as at June 30, 2016:

Investments	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Equities	\$ 74,578	\$ 3,749	\$ -	\$ 6,382	\$ 10,131
Warrants	200	-	589	-	589
Promissory notes and convertible debentures	1,133	-	-	611	611
Total investments	\$ 75,911	\$ 3,749	\$ 589	\$ 6,993	\$ 11,331
Investments denominated in foreign currencies		\$ 231	\$ -	\$ 4,249	\$ 4,480
% of investments denominated in foreign currencies		6%	0%	61%	40%

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

Investments	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Equities	\$ 90,142	\$ 7,563	\$ 72	\$ 18,469	\$ 26,104
Warrants	200	28	676	-	704
Promissory notes and convertible debentures	1,626	-	-	1,056	1,056
Total investments	\$ 91,968	\$ 7,591	\$ 748	\$ 19,525	\$ 27,864
Investments denominated in foreign currencies		\$ 106	\$ -	\$ 11,390	\$ 11,496
% of investments denominated in foreign currencies		1%	0%	58%	41%



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

3. Financial instruments hierarchy and investments at fair value (continued)

(a) Financial hierarchy (continued):

(i) As at June 30, 2016, included in total investments were securities of private companies with a fair value totaling \$6,993 (cost of \$35,019) (December 31, 2015 – fair value of \$19,525 (cost of \$35,662)) measured in accordance with the Company's accounting policy for private company investments.

(ii) During the six months ended June 30, 2016, \$72 of the investments held in Level 2 as at December 31, 2015 were transferred to Level 1. During the six months ended June 30, 2015, \$50 of the investments that were held in Level 2 as at December 31, 2014 were transferred to Level 1. The transfer out of level 2 to level 1 consists of restricted investments that became unrestricted during the period. There were no transfers from Level 1 to 2 during the six months ended June 30, 2016 and June 30, 2015.

(b) Level 3 hierarchy:

The following table presents the changes in fair value measurements of financial instruments classified as Level 3. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized losses and net change in unrealized losses are recognized in the consolidated statements of comprehensive loss.

Investment at fair value	Opening balance at January 1	Purchases /loans	Proceeds	Net realized losses	Net unrealized losses	Ending balance
June 30, 2016	\$ 19,525	\$ 676	\$ (1,156)	\$ (164)	\$ (11,888)	\$ 6,993
December 31, 2015	23,435	769	(1,003)	(434)	(3,242)	19,525

Transfers between levels of fair value hierarchy are deemed to have occurred at the date of event.

Within Level 3, the Company includes private company investments and other investment instruments such as loans to investees and convertible debentures which are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions, the share performance of comparable publicly-traded companies and a strategic review.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

3. Financial instruments hierarchy and investments at fair value (continued)

(b) Level 3 hierarchy (continued):

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

Valuation technique	June 30, 2016		December 31, 2015	
	Fair value	Unobservable inputs	Fair value	Unobservable inputs
Recent financing and strategic review	\$ 4,486	Transaction price and adjustments	\$ 9,889	Transaction price
Trends in comparable publicly traded companies and general market conditions and strategic review	1,896	Adjustment range (-80% to -12.5%)	8,580	Adjustment range (-80% to -12.5%)
Discounted cash flows	611	Discount rate (15% - 19%)	1,056	Discount rate (15% - 19%)
	\$ 6,993		\$ 19,525	

For these Level 3 investments, the inputs used can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- \$1,748 (December 31, 2015: +/- \$4,881) 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.

4. Financial assets other than investments at fair value

	As at June 30, 2016	As at December 31, 2015
Cash and cash equivalents	\$ 1,171	\$ 2,336
Due from brokers	496	199
Other receivables	1	2

All amounts above are classified as financial assets at amortized cost and are short-term in nature. Cash and cash equivalents consist of cash on hand.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

5. Financial liabilities

	As at June 30, 2016	As at December 31, 2015
Accounts payable and accrued liabilities (a)	\$ 687	\$ 1,250
Convertible debentures, due May 31, 2016 (b)	-	9,716
	\$ 687	\$ 10,966

The carrying values of accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

(a) As at June 30, 2016, included in accounts payable and accrued liabilities are Class C preferred share liabilities of \$217 (December 31, 2015 - \$217). 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.

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 \$1,000 per share. As at June 30, 2016, the redemption price was \$1,000 per share and the retraction price in effect was \$17 per share (December 31, 2015 - \$31 per share). During the six months ended June 30, 2016, no Class C shares were cancelled. During the year ended December 31, 2015, 22 Class C Shares were cancelled by PCIC following their retraction by the holders at \$62 per share plus accrued and unpaid dividends. As at June 30, 2016, 217 Class C Shares (December 31, 2015 - 217 Class C Shares) were issued and outstanding.

As at June 30, 2016, also included in accounts payable and accrued liabilities is accrued interest payable of \$nil (December 31, 2015 - \$78) on the convertible debentures (the "Debentures") as the principal amount and the accrued interest payable of the Debentures have been fully repaid.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

5. Financial liabilities (continued)

(b) The following table summarizes the changes in the Debentures' liability and equity components during the periods ended:

Principal	
Opening principal balance, December 31, 2014	\$ 54,822
Redemption of convertible debentures	(20,000)
Ending principal balance, June 30, 2015	\$ 34,822
Opening principal balance, December 31, 2015	\$ 9,716
Redemptions and NCIB purchases of convertible debentures	(3,028)
Repayment of convertible debentures	(6,688)
Ending principal balance, June 30, 2016	\$ -
Liability	
Opening liability balance, December 31, 2014	\$ 54,520
Accretion of discount on the convertible debentures	632
Transaction costs for the convertible debentures	(545)
Redemption of convertible debentures	(20,000)
Ending liability balance, June 30, 2015	\$ 34,607
Opening liability balance, December 31, 2015	\$ 9,716
Redemptions and NCIB purchases of convertible debentures	(3,028)
Repayment of convertible debentures	(6,688)
Ending liability balance, June 30, 2016	\$ -
Equity component	
Opening equity component balance, December 31, 2014	\$ 2,838
No transactions	-
Ending equity component balance, June 30, 2015	\$ 2,838
Equity component	
Opening equity component balance, December 31, 2015	\$ 2,838
Expiry of equity component of convertible debentures	(2,838)
Ending equity component balance, June 30, 2016	\$ -

As at June 30, 2016, the fair value of the Debentures was \$nil (December 31, 2015 - \$9,376) based on the closing trade price of the Debentures, which are listed on the TSX under the symbol "PNP.DB" and is classified in the Level 2 fair value hierarchy.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

5. Financial liabilities (continued)

(b) (continued)

On January 23, 2015, the Company's existing default of one of its debt covenants became an "Event of Default" under the Debenture Indenture. 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 Debenture Covenant, including the right to accelerate payment of the principal amount of the Debentures, until October 31, 2015, subject to certain conditions. The Company was in compliance with the covenant as at October 31, 2015 and therefore cured the Event of Default. Starting from October 31, 2015, the Company once again became subject to the 33% debt-to-assets ratio covenant in the Debenture Indenture.

On January 8, 2016 (the "Redemption Date"), the Company redeemed \$3 million principal amount of the Debentures, together with all accrued and unpaid interest thereon, for a total redemption amount equal to \$3,032 by issuing an aggregate of 242,014 common shares (the "Redemption Shares") in payment of \$1 million of the \$3 million principal amount of the Debentures. The remaining \$2 million principal amount of Debentures was redeemed for cash.

The Company renewed its normal course issuer bid ("NCIB") for the Debentures for the period of June 5, 2015 to June 4, 2016. In accordance with and subject to the rules of the TSX, the Company can purchase up to \$3,460 principal amount of Debentures pursuant to the NCIB. During the six months ended June 30, 2016, the Company purchased an aggregate of \$28 principal amount of the Debentures under its NCIB at an average cost of 0.9674 of the par value for a total cash payment of \$27.

On May 31, 2016, the Company repaid the remaining principal amount and the accrued interest payable of the Debentures for a total amount of \$7,022.

As at June 30, 2016, \$nil principal amount of the Debentures was outstanding.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

6. Related party transactions

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

(a) Related party transactions included in the unaudited condensed consolidated interim statements of comprehensive loss were as follows during the periods presented:

Type of service	Nature of relationship	Three months ended June 30, 2016	Three months ended June 30, 2015
Salaries, consulting fees and other benefits	Officers	\$ 713	\$ 109
Director fees (i)	Directors	14	70
Stock-based compensation expense	Directors and officers	-	170

Type of service	Nature of relationship	Six months ended June 30, 2016	Six months ended June 30, 2015
Salaries, consulting fees and other benefits	Officers	\$ 870	\$ 633
Director fees (i)	Directors	50	146
Stock-based compensation expense	Directors and officers	28	315

(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) Stock options granted

No stock options were granted to directors or officers during the six months ended June 30, 2016.

During the six months ended June 30, 2015, the Company granted to directors and officers the following stock options:

Grant date	Options granted	Exercise price	Expiry date
March 31, 2015	16,500	\$ 16.00	March 30, 2020
May 29, 2015	5,500	\$ 8.00	May 28, 2020



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

6. Related party transactions (continued)

(c) Investments in associates

The total amounts included in the unaudited condensed consolidated interim statements of financial position for investments in associates are as follows:

	As at June 30, 2016	As at December 31, 2015
Investment at fair value	\$ -	\$ 9,742
Cost of investments	-	21,851

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

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net change in unrealized gains (losses) on investments	\$ -	\$ 735	\$ -	\$ (5,951)
Interest earned on promissory notes	-	90	-	180

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 six-month periods ended June 30, 2016 and June 30, 2015.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

7. Equity

(a) Authorized: unlimited number of common shares, no par value.

As at June 30, 2016, the Company had 4,522,611 (December 31, 2015 - 2,019,292) common shares issued and outstanding.

On January 8, 2016, the Company partially redeemed \$3,000 principal amount of its Debentures, \$2,000 of which (and all accrued interest) was paid in cash and \$1,000 of which was paid by the issuance of an aggregate of 242,014 Redemption Shares at a value of \$848 based on fair market value of \$3.5 per share on the date of issuance, resulting in a gain of \$152 which was recorded in other income (note 8).

The number of common shares issued under the redemption was based on a price per share of \$4.13, which was calculated in accordance with the terms of the Debentures as 95% of \$4.35, the volume weighted average trading price of Pinetree's common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date of redemption.

On May 31, 2016, upon full repayment of the Debentures, equity component of the Debentures of \$2,838 was reclassified to share capital.

(b) Rights offering

On March 21, 2016, the Company offered rights to holders of its common shares at the close of business on the record date of March 23, 2016, on the basis of one right for each common share held. Each right entitles the holder to subscribe for one common share of Pinetree upon payment of the subscription price of \$2.5 per common share. The rights started trading on the TSX under the symbol PNP.RT from March 21, 2016 and until noon on April 22, 2016 and expired at 4:00 p.m. (Toronto time) on April 22, 2016 (the "Expiry Time"), after which time unexercised rights were void and of no value. Shareholders who fully exercised their rights were entitled to subscribe pro rata for additional common shares, if available as a result of unexercised rights prior to the Expiry Time.

On April 29, 2016, the Company's shareholders exercised 849,103 rights for 849,103 common shares of Pinetree under the rights offering with gross proceeds of \$2,121. In addition, in accordance with the terms of the rights offering, 2507492 Ontario Ltd. ("250 Ontario"), a company controlled by Peter Tolnai, purchased 1,412,202 common shares of Pinetree at the same subscription price of \$2.5 per common share for gross proceeds to Pinetree of \$3,531. In connection with the rights offering, Pinetree paid a standby fee of \$250 in cash to 250 Ontario. The Company incurred \$159 transaction costs in connection with the rights offering.

Special Shareholders' Meeting

At a Shareholder Meeting held on April 22, 2016, shareholders approved a 1-for-100 share consolidation and the waiver of the application of Pinetree's shareholder rights plan. On July 20, 2016, the Share Consolidation was completed and was reflected in these unaudited condensed consolidated interim financial statements.

(c) Stock options plan

The Company grants stock options to eligible directors, officers, employees, and consultants pursuant to its 2007 Stock Option Plan (the "2007 Plan"). Under the terms of the 2007 Plan, the number of common shares that may be issued pursuant to the exercise of options granted under or otherwise governed by the 2007 Plan may not exceed 10% of the number of common shares outstanding at the time of grant; however, the number of options that have been cancelled or expired unexercised (whether in full or in part) will once again be issuable under the 2007 Plan.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

7. Equity (continued)

(c) Stock options plan (continued)

The exercise price of an option granted under the 2007 Plan is determined by the Board of Directors but cannot be less than the closing price of the common shares on the TSX on the last day on which the common shares trade prior to the grant date of the option. The board of directors has the discretion to determine the term and vesting provisions (if any) of options granted under the 2007 Plan, provided that the option terms may not exceed 10 years. The Company has established a fixed schedule of option grant dates. Options may be granted on a quarterly basis, on four designated dates during each year.

(d) Stock options

No stock options were granted during the six months ended June 30, 2016.

The following table summarizes stock options granted during the six months ended June 30, 2015:

Date granted	Options granted	Exercisable price (\$)	Expiry date
March 31, 2015	22,350	16.00	March 30, 2020
May 29, 2015	9,500	8.00	May 28, 2020

Stock options granted on March 31, 2015 vest four months from the grant date. Stock options granted on May 29, 2015 vest at the rate of 1/6th of the grant at the end of each three-month period over an 18-month period. Options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense over the vesting period and credits contributed surplus for all options granted.

A summary of the status of the Company's stock options as at June 30, 2016 and December 31, 2015 and changes during the periods then ended is presented below:

	Number of options	Weighted average exercise price per share
Balance, December 31, 2014	179,759	\$ 92.00
Options granted	74,550	9.00
Options forfeited	(48,300)	86.00
Options expired	(16,459)	178.00
Balance, December 31, 2015	189,550	53.00
Options expired	(10,800)	311.44
Balance, June 30, 2016	178,750	\$ 37.66



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Notes to Condensed Consolidated Interim Financial Statements

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(In thousands of Canadian dollars except for securities and per share amounts)

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7. Equity (continued)

(e) Warrants

A summary of the status of the Company's warrants as at June 30, 2016 and December 31, 2015 and changes during the periods then ended is presented below:

	Number of warrants	Weighted average exercise price per share	Amount
Balance, December 31, 2014, December 31, 2015 and June 30, 2016 (i)	123,325	\$ 70.00	\$ 1,607

(i) Upon completion of the rights offering, the exercise price of the warrants was modified to \$70 for 1.07 common share for each warrant.

(f) Contributed surplus transactions for the respective periods are as follows:

	Amount
Balance, December 31, 2014	\$ 105,839
Stock-based compensation	556
Balance, December 31, 2015	106,395
Stock-based compensation	132
Balance, June 30, 2016	\$ 106,527

Contributed surplus comprises of the following as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Fair value of stock-based compensation	\$ 34,216	\$ 34,084
Fair value of expired warrants and broker warrants	72,268	72,268
Cancellation of shares under normal course issuer bid	43	43
	\$ 106,527	\$ 106,395



Pinetree Capital Ltd.

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Unaudited

7. Equity (continued)

(g) Basic and diluted loss per common share based on net loss are as follows for the three months ended:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Numerator:				
Net loss for the period	\$ (11,916)	\$ (4,730)	\$ (13,398)	\$ (11,874)
Denominator:				
Weighted average number of common shares outstanding - basic and diluted ⁽ⁱ⁾	3,801,975	2,019,292	3,021,002	2,019,292
Loss per common share based on net loss for the period:				
Basic and diluted	\$ (3.13)	\$ (2.34)	\$ (4.43)	\$ (5.88)

⁽ⁱ⁾ The determination of the weighted average number of common shares outstanding – diluted excludes 302,075 shares related to convertible securities that were anti-dilutive for the three and six months ended June 30, 2016 (three and six months ended June 30, 2015 - 392,509).



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7. Equity (continued)

(h) Maximum share dilution

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised and all outstanding convertible debentures were converted as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Common shares outstanding	4,522,611	2,019,292
Stock options outstanding to purchase common shares	178,750	189,550
Warrants to purchase common shares	123,325	123,325
Debentures convertible to common shares	-	22,861
Fully diluted common shares outstanding	4,824,686	2,355,028

8. Other income

Other income comprises of the following for the three and six months ended June 30:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest income	\$ (3)	\$ 198	\$ 13	\$ 297
Income from sublease and service agreements	-	25	-	106
Gain on purchase of convertible debentures under normal course issuer bid	-	-	1	-
Gain on redemption of convertible debentures	-	-	152	-
	\$ (3)	\$ 223	\$ 166	\$ 403



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9. Expense by nature

Included in operating, general and administrative expenses for the three and six months ended June 30:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Transaction costs	\$ 21	\$ 188	\$ 70	\$ 327
Salaries	12	64	88	287
Other office and general	362	135	613	270
Stock-based compensation expense	62	215	132	399
Operating lease payments	(31)	147	16	293
Consulting and directors' fees	1,393	205	1,695	873
Travel and other	-	10	10	19
Transfer agent, filing fees and other information systems	93	54	213	244
Professional fees	16	358	85	668
Other employee benefits	7	26	21	89
Amortization	-	8	-	16
Foreign exchange loss	3	96	14	9
	\$ 1,938	\$ 1,506	\$ 2,957	\$ 3,494

10. Finance expenses

Finance expenses comprises of the following for the three and six months ended June 30:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Accretion of discount and interest expense on convertible debentures	\$ 111	\$ 1,319	\$ 289	\$ 3,114
Interest expense	-	9	-	12
	\$ 111	\$ 1,328	\$ 289	\$ 3,126



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

11. Management of capital

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

	June 30, 2016	December 31, 2015
Convertible debentures	\$ -	\$ 9,716
Equity comprises of:		
Share capital	315,032	306,103
Warrants	1,607	1,607
Contributed surplus	106,527	106,395
Equity component of convertible debentures	-	2,838
Foreign currency translation reserve	(35)	(35)
Deficit	(410,804)	(397,406)
	\$ 12,327	\$ 29,218

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, 2015, the Company cured the event of default and was in compliance with the debenture covenant as at December 31, 2015 as disclosed in note 7 of the year ended December 31, 2015 consolidated financial statements. During the six months ended June 30, 2016, the Company repaid the Debentures.

There were no changes to the Company's objectives in managing and maintaining capital during the six months ended June 30, 2016. The Company is not subject to any capital requirements imposed by a regulator.

The Company's objectives when managing capital are:

- (a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- (b) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (c) 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.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

12. Risk management

Financial instrument risks:

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.

(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 management is responsible for reviewing liquidity resources to ensure funds are readily available to meet financial obligations as they become due, as well as ensuring funds exist to support business strategies and operating growth.

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. In addition, 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.

There were no changes to the way that the Company manages liquidity risk since December 31, 2015. The Company's liquidity risk is limited to exposure to trade payables.

The following table shows the Company's contractual undiscounted cash flows which are payable under financial liabilities on the unaudited condensed consolidated interim statement of financial position as at June 30, 2016.

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	\$ 687	\$ 687	\$ -	\$ -	\$ -
	\$ 687	\$ 687	\$ -	\$ -	\$ -



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

12. Risk management (continued)

(a) Liquidity risk (continued):

The following table shows the Company's contractual undiscounted cash flows, including expected interest payments, which are payable under financial liabilities on the consolidated statement of financial position as at December 31, 2015.

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	\$ 1,172	\$ 1,172	\$ -	\$ -	\$ -
Convertible debentures	9,716	9,716	-	-	-
Interest on convertible debentures	78	78	-	-	-
	\$ 10,966	\$ 10,966	\$ -	\$ -	\$ -

The following table shows the Company's source of liquidity by assets as at June 30, 2016:

Assets	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	Non-liquid assets
Cash and cash equivalents	\$ 1,171	\$ 1,171	\$ -	\$ -	\$ -
Due from brokers	496	496	-	-	-
Investments at fair value	11,331	10,720	611	-	-
Prepays and other receivables	16	16	-	-	-
	\$ 13,014	\$ 12,403	\$ 611	\$ -	\$ -



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

12. Risk management (continued)

(a) Liquidity risk (continued):

The following table shows the Company's source of liquidity by assets as at December 31, 2015:

Assets	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	Non-liquid assets
Cash and cash equivalents	\$ 2,336	\$ 2,336	\$ -	\$ -	\$ -
Due from brokers	199	199	-	-	-
Investments at fair value	27,864	27,514	350	-	-
Prepays and other receivables	69	69	-	-	-
	\$ 30,468	\$ 30,118	\$ 350	\$ -	\$ -

(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, 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, 2015. 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.



Pinetree Capital Ltd.

Notes to Condensed Consolidated Interim Financial Statements

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(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

12. Risk management (continued)

(b) Market risk (continued)

The following table shows the estimated sensitivity of the Company's after-tax loss for the three and six months ended June 30, 2016 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 30, 2016:

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%	\$ 113	\$ (113)
4%	226	(226)
6%	339	(339)
8%	452	(452)
10%	564	(564)

The following table shows the estimated sensitivity of the Company's after-tax profit for the three and six months ended June 30, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at June 30, 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%	\$ 944	\$ (944)
4%	1,888	(1,888)
6%	2,832	(2,832)
8%	3,776	(3,776)
10%	4,720	(4,720)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's profit and losses. As at June 30, 2016, the Company did not have any significant interest rate risk. There were no changes to the way that the Company manages interest rate risk since December 31, 2015. Pinetree does not hedge against any interest rate risk.



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Notes to Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

12. Risk management (continued)

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of 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 financial instruments denominated in U.S. dollars, Australian dollars and British pounds. 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, 2015. The Company believes that it is exposed to foreign exchange risk (U.S. dollar) but 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 the following dates:

	June 30, 2016	December 31, 2015
Denominated in U.S. dollars:		
Investments	\$ 4,479	\$ 11,248
Cash and cash equivalents	353	178
Due from brokers	-	36
Accounts payable and accrued liabilities	(16)	-
Net assets denominated in U.S. dollars	\$ 4,816	\$ 11,462
Denominated in Australian dollars:		
Investments	\$ 125	\$ -
Net assets denominated in Australian dollars	\$ 125	\$ -
Denominated in British pounds:		
Investments	\$ -	\$ 248
Net assets denominated in British pounds	\$ -	\$ 248



Pinetree Capital Ltd.

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Three and Six Months Ended June 30, 2016

(In thousands of Canadian dollars except for securities and per share amounts)

Unaudited

12. Risk management (continued)

(d) Currency risk (continued):

The following table shows the estimated sensitivity of the Company's after-tax loss for the three and six months ended June 30, 2016 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at June 30, 2016:

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%	\$ 90	\$ (90)
4%	179	(179)
6%	269	(269)
8%	358	(358)
10%	448	(448)

The following table shows the estimated sensitivity of the Company's after-tax loss for the three and six months ended June 30, 2015 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at June 30, 2015:

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%	\$ 246	\$ (246)
4%	491	(491)
6%	737	(737)
8%	983	(983)
10%	1,229	(1,229)

(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 (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, 2015.

As at June 30, 2016, the total fair value of the Company's investments in convertible debentures, convertible notes, and promissory notes was \$611 (December 31, 2015 - \$1,056). The Company believes that it is not significantly exposed to credit risk, as these investments comprise 5.0% (December 31, 2015 - 4.0%) of the Company's total investments.



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12. Risk management (continued)

(f) Concentration risk in the Company's investment portfolio

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the operating results of the Company.

Subject to board approval for investments in excess of a pre-determined threshold, 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, industry or sector. Accordingly, the Company's investment activities may be highly concentrated in a limited number of investments or industry sectors and the Company's financial results may be substantially adversely affected by the unfavourable performance in those investments or industry sectors.

As at June 30, 2016, the Company's top five investments had a fair value of \$7,240 in the technology and resources sectors, representing 50% and 14% of the fair value of the Company's total portfolio, of which three are private companies and two are public companies. As at December 31, 2015, the Company's top five investments had a fair value of \$13,800 in the technology, biotechnology and resources sectors, representing 35%, 10% and 4% of the fair value of the Company's total portfolio, of which three were public companies and two were private companies.

13. Subsequent event

On July 20, 2016, the Company completed a share consolidation of its common shares of one (1) post-consolidation common share for every one hundred (100) pre-consolidation common shares (the "Share Consolidation"). The 1-100 Share Consolidation has been reflected in these unaudited condensed consolidated interim financial statements and all applicable references to the number of shares, warrants and stock options and their strike price and per share information has been adjusted. The actual number of shares issued and outstanding post Share Consolidation on July 20, 2016 will be slightly different due to rounding.

