PINETREE CAPITAL LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Pinetree Capital Ltd.:

Opinion

We have audited the consolidated financial statements of Pinetree Capital Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

MNP LLP

Toronto, Ontario
February 27, 2019

Chartered Professional Accountants
Licensed Public Accountants

PINETREE CAPITAL LTD.
Consolidated Statements of Financial Position
As at December 31,
(In thousands of Canadian dollars)

	Notes	2018	2017
Assets			
Cash and cash equivalents	5	**$ 7,250**	$ 7,510
Due from brokers	5	**76**	1,897
Investments at fair value	4	**8,969**	9,268
Prepaids and other receivables		**61**	22
Income taxes receivable		**19**	-
Total assets		**$ 16,375**	$ **18,697**
Liabilities and Equity			
Liabilities			
Accounts payable and accrued liabilities	5, 13(a)	$ **395**	$ 392
Total liabilities		**395**	392
Equity			
Share capital	8(a)	**324,410**	324,410
Contributed surplus	8(f)	**108,177**	108,177
Foreign currency translation reserve		**-**	(35)
Deficit		**(416,607)**	(414,247)
Total equity		**15,980**	18,305
Total liabilities and equity		**$ 16,375**	$ 18,697

Nature of business	1
Commitment	16

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Peter Tolnai" Director

"Howard Riback" Director

PINETREE CAPITAL LTD.

Consolidated Statements of Loss and Comprehensive Loss
Years Ended December 31,
(In thousands of Canadian dollars, except for securities and per share amounts)

	Notes	2018	2017
Net investment losses	9(a)	**$ (2,164)**	$ (1,482)
Other income	9(b)	**275**	665
		(1,889)	**(817)**
Expenses			
Operating, general and administrative	10	**454**	900
Finance expenses	11	**17**	17
		471	**917**
Net loss for the year		**(2,360)**	**(1,734)**
Other comprehensive income			
Exchange differences on translation of foreign operations		**35**	-
Total comprehensive loss for the year		**$ (2,325)**	**$ (1,734)**
Loss per common share based on net loss for the year	8(g)		
Basic and diluted		**$ (0.26)**	**$ (0.25)**
Weighted average number of common shares outstanding	8(g)		
Basic and diluted		**9,045,198**	6,814,875

See accompanying notes to the consolidated financial statements.

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PINETREE CAPITAL LTD.
Consolidated Statements of Cash Flows
Years Ended December 31,
(In thousands of Canadian dollars)

	2018	2017
Cash flows from (used in) operating activities		
Net loss for the year	**$ (2,360)**	$ (1,734)
Items not affecting cash:		
Net investment losses	**2,164**	1,482
Stock-based compensation expense	**-**	9
	(196)	(243)
Adjustments for:		
Proceeds on disposal of investments	**2,344**	601
Purchase of investments	**(4,209)**	(4,678)
Proceeds from return of capital	**-**	22
Decrease (increase) in due from brokers	**1,821**	(1,086)
Decrease (increase) in prepaids and other receivables	**(39)**	14
Increase in income taxes receivable	**(19)**	-
Increase in accounts payable and accrued liabilities	**3**	17
Net cash used in operating activities	**(295)**	(5,353)
Cash flows from financing activities		
Proceeds from issue of common shares pursuant to rights offering, net	**-**	9,381
Net cash from financing activities	**-**	9,381
Net (decrease) increase in cash and cash equivalents during the year	**(295)**	4,028
Exchange differences on translation of foreign operations	**35**	-
Cash and cash equivalents, beginning of year	**7,510**	3,482
Cash and cash equivalents, end of year	**$ 7,250**	$ 7,510
Supplemental cash flow information		
Income taxes paid	**$ 19**	$ -

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Changes in Equity
Years Ended December 31,
(In thousands of Canadian dollars, except for number of shares)

	Number of shares	Share capital	Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total equity
Balance as at December 31, 2016	4,522,599	$ 315,029	$ 1,607	$ 106,561	$ (35)	$ (412,513)	$ 10,649
Net loss for the year	-	-	-	-	-	(1,734)	(1,734)
Stock-based compensation expense	-	-	-	9	-	-	9
Shares issued from rights offering	4,522,599	9,498	-	-	-	-	9,498
Transaction costs	-	(117)	-	-	-	-	(117)
Expiry of warrants	-		(1,607)	1,607	-	-	-
Balance as at December 31, 2017	9,045,198	$ 324,410	$ -	$ 108,177	$ (35)	$ (414,247)	$ 18,305
Net loss for the year	**-**	**-**	**-**	**-**	**-**	**(2,360)**	**(2,360)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**35**	**-**	**35**
Balance as at December 31, 2018	**9,045,198**	**$ 324,410**	**$ -**	**$ 108,177**	**$ -**	**$ (416,607)**	**$ 15,980**

See accompanying notes to the consolidated financial statements.

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 Unit 200, 1965 Queen Street East, Toronto, ON, M4L 1H9.

Pinetree is an investment and merchant banking company with investments in technology and resource companies.

These consolidated financial statements were approved by the Company's board of directors on February 27, 2019.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these consolidated financial statements are presented below.

(b) Basis of consolidation

These consolidated financial statements include the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc., Pinetree (Barbados) Inc., Pinetree Capital Investment Corp. ("PCIC") and Emerald Capital Corp., as well as Pinetree Resource Partnership and Pinetree Income Partnership, each a general partnership of which Pinetree indirectly owns a 100% interest. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The Company controls an investee if the Company has:

(i) power over the investee;

(ii) exposure, or rights, to variable returns from its involvement with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Company's potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in comprehensive (loss) income from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

2 Basis of preparation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company's reporting period using consistent accounting policies. All inter-company account balances and transactions have been eliminated upon consolidation.

(c) Critical accounting judgments, estimates and assumptions

The preparation of the consolidated statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The information about significant areas of estimation uncertainty and judgment considered by management in preparing the consolidated financial statements are as follows:

(i) Fair value of investment in securities not quoted in an active market or private company investments:

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Refer to Note 3(b)(iv) for further details.

(ii) Fair value of financial derivatives:

Investments in options and warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. Refer to Note 3 (b)(iv) for further details.

(iii) Stock-based compensation expense:

The Company uses the Black-Scholes option pricing model to fair value options in order to calculate stock-based compensation expense. The Black-Scholes model involves six key inputs to determine fair value of an option: 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 that involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. 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. Refer to Note 8(d) for further details.

(iv) Income taxes:

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

2 Basis of preparation (continued)

(v) Warrants:

The Company uses the Black-Scholes option pricing model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value for a 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 warrant or a higher volatility number used would result in an increase in the warrant value.

3. Significant accounting policies:

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented.

(a) Foreign currency:

(i) Functional currency:

These consolidated financial statements are presented in Canadian dollars, which is the parent's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances:

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange in effect at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. All exchange differences are recorded in the consolidated statements of comprehensive loss.

(iii) Translation of foreign operations:

The results and financial position of Pinetree's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;

2. Share capital is translated using the exchange rate at the date of the transaction;

3. Revenue and expenses for each consolidated statement of comprehensive loss are translated at average exchange rates; and

4. All resulting exchange differences are recognized as a separate component of equity and as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statements of comprehensive loss.

3. Significant accounting policies (continued):

The Company treats specific inter-company loan balances that are not intended to be repaid in the foreseeable future as part of its net investment in a foreign operation, which is recorded as an exchange difference on translation of foreign operations in other comprehensive loss in the consolidated statements of comprehensive loss.

(b) Financial instruments (investments, Class C preferred shares and due from brokers):

(i) Classification:

All investments are classified upon initial recognition at fair value through profit or loss, with changes in fair value reported in profit (loss).

Class C preferred shares are liabilities designated at fair value through profit or loss with changes in fair value reported in expenses in the consolidated statements of comprehensive loss.

Due from brokers are assets initially recognized at fair value (net of directly attributable transaction costs) and classified as subsequently measured at amortized cost.

(ii) Recognition, derecognition and measurement:

Purchases and sales of investments are recognized on the settlement date.

Investments at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statements of comprehensive loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9, Financial Instruments (“IFRS 9”).

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments at fair value through profit or loss category are presented in the consolidated statements of comprehensive loss within net change in unrealized gains or losses on investments in the period in which they arise.

The fair value of Class C preferred share liabilities is determined by reference to the trading price of Pinetree’s shares (Note 5 (a)).

(iii) Reclassification of investments:

The Company would only reclassify a financial asset when the Company changes its business model for managing the financial asset.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

(iv) Determination of fair values:

The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company’s management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

3. Significant accounting policies (continued):

The Company is also required to disclose details of its investments (and other financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring or disclosing the fair value, and to provide additional disclosure in connection therewith (Note 4).

1. Publicly-traded investments (i.e., securities of issuers that are public companies):

    a. Securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the consolidated statement of financial position dates or the closing trade price on the last day the security traded if there were no trades at the consolidated statement of financial position dates. These are included in Level 1 in Note 4 (a).

    b. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Company considers the nature and length of the restriction. These are included in Level 2 in Note 4 (a).

    c. For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, an option pricing model is used; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value. These are included in Level 2 in Note 4 (a).

2. Private company investments (securities of issuers that are not public companies):

    All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 4. Options and warrants of private companies are valued using a an option pricing model when there are sufficient and reliable observable market inputs; if no such market inputs are available, the warrants and options are valued using alternative methods representing fair value.

    The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

    Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

    Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

3. Significant accounting policies (continued):

The absence of the occurrence of any of these events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly-traded companies indicates generally that the fair value of the investment has not materially changed.

The fair value of a privately-held investment may be adjusted if:

a. there has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;

b. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;

c. the investee company is placed into receivership or bankruptcy;

d. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;

e. receipt/denial by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed/prohibit with its project(s);

f. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously noncompliant resource;

g. release by the investee company of positive/negative exploration results; and

h. important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

In addition, the amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned.

3. Investments in associates:

Investments in associates are those entities in respect of which the Company has or is deemed to have significant influence, but not control, over the financial and operating policies. Investments in associates are held as part of the Company's investment portfolio and carried in the consolidated statements of financial position at fair value even though the Company may have significant influence over the companies.

This treatment is permitted by IAS 28, Investment in Associates, which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in the consolidated statements of comprehensive loss within net change in unrealized gains or losses on investments.

3. Significant accounting policies (continued):

(c) Financial assets other than investments at fair value:

Financial assets that are managed to collect contractual cash flows made up of principal and interest on specified dates are classified as subsequently measured at amortized cost. All other financial assets are designated as at fair value through profit or loss. All financial assets are recognized initially at fair value plus, in the case of financial assets classified as subsequently measured at amortized cost, directly attributable transaction costs.

Financial assets at amortized cost are measured at initial cost plus interest calculated using the effective interest rate method less cumulative repayments and cumulative impairment losses. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. For amounts deemed to be impaired, the impairment provision is based upon the expected loss.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and short-term investments with remaining maturities of less than three months. Cash and cash equivalents include accrued interest on short-term investments.

(e) Revenue recognition:

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of comprehensive loss, as part of net investment losses.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the consolidated statements of comprehensive loss as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income, other income and income from securities lending are recorded on an accrual basis.

(f) Offseting of financial instruments:

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Leases:

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date. It requires consideration of whether the fulfillment of the arrangement is dependent on the use of a specific tangible asset or the arrangement conveys a right to use the tangible asset.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the consolidated statements of comprehensive loss on a straight-line basis over the lease term.

3. Significant accounting policies (continued):

(h) Income taxes:

(i) Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

(ii) Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statements of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statements of comprehensive loss.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

(i) Stock-based compensation plans:

The Company has a stock option plan that is described in Note 8(c). Employees (including officers), directors and consultants of the Company receive remuneration in the form of stock options granted under the plan for rendering services to the Company. Any consideration received on the exercise of stock options is credited to share capital. The cost of options is recognized together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award (the “vesting date”).

The cumulative expense recognized for option grants at each reporting date until the vesting date reflects the portion of the vesting period that passed and the Company’s best estimate of the number of options that will ultimately vest on the vesting date. The Company records compensation expense and credits contributed surplus for all stock options granted, which represents the movement in cumulative expense recognized as at the beginning and end of that period.

Stock options granted during the period are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model. The Company is also required to estimate the expected future forfeiture rate of options in its calculation of stock-based compensation expense.

3. Significant accounting policies (continued):

Where the terms of a stock option award are modified, the minimum expense recognized in compensation expense is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option, or is otherwise beneficial to the optionee as measured at the date of modification.

Where an option is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately; however, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share, if applicable.

(j) Loss per common share:

Basic loss per common share is determined by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted loss per common share is calculated in accordance with the treasury stock method and based on the weighted average number of common shares and dilutive common share equivalents outstanding.

(k) Cost of private placement financing:

Incremental costs incurred in respect of raising capital through private placements are charged against equity proceeds raised. Incremental costs incurred in respect of issuing convertible debentures are charged against the liability and equity components of the convertible debentures.

The issue costs allocated to the liability component are amortized over the term of the convertible debentures and accrete up to the principal balance at maturity or at the expected timing of principal repayment, whichever is earlier. The accretion, amortization of issue costs and the interest paid are expensed within finance expenses on the consolidated statements of comprehensive loss within profit or loss.

(l) Financial liabilities:

Financial liabilities are presented at amortized cost except for financial derivatives and certain financial liabilities that from inception were designated at fair value through profit or loss. All financial liabilities are recognized initially at fair value net of directly attributable transaction costs except for those designated at fair value through profit or loss. Financial liabilities at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss.

Other financial liabilities are subsequently recognized at amortized cost using the effective interest method with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

(m) Due from brokers:

Due from brokers consists of cash owed to the Company from its brokers.

3. Significant accounting policies (continued):

(n) Financial derivatives - options and warrants:

A financial derivative such as warrants or options that will be settled with the entity's own equity instruments will be classified as an equity instrument if the derivative is to acquire a fixed number of the entity's own equity instruments for a fixed amount of Canadian dollars.

A financial derivative will be considered a financial liability at fair value through profit or loss if it is to acquire either a variable number of equity instruments or consideration in a foreign currency and the options and warrants were not offered pro rata to all existing owners of the same class of non-derivative equity instruments.

(o) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting used by management and the Company's Board of Directors. The Company has a single reportable geographic segment, Canada.

(p) New accounting standards adopted:

Effective January 1, 2018, the Company has adopted IFRS 15, *Revenue from Contracts with Customers*, and IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*. These changes were made in accordance with the applicable transitional provisions for which there was no impact on the consolidated financial statements for the year ended December 31, 2018.

4. Financial instruments hierarchy and investments at fair value

(a) Financial hierarchy:

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

Investments consist of the following as at December 31, 2018:

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	**$ 45,387**	**$ 5,688**	**$ -**	**$ 714**	**$ 6,402**
Debentures	**2,495**	**2,567**	**-**	**-**	**2,567**
Total investments	**$ 47,882**	**$ 8,255**	**$ -**	**$ 714**	**$ 8,969**
Investments denominated in foreign currencies		**$ 4,094**	**$ -**	**$ 45**	**$ 4,139**
% of investments denominated in foreign currencies		**50%**	**0%**	**6%**	**46%**

Investments consist of the following as at December 31, 2017:

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	$ 47,774	$ 4,237	$ -	$ 2,661	$ 6,898
Warrants	200	-	20	-	20
Debentures	3,391	2,350	-	-	2,350
Total investments	$ 51,365	$ 6,587	$ 20	$ 2,661	$ 9,268
Investments denominated in foreign currencies		$ 923	$ -	$ 1,405	$ 2,328
% of investments denominated in foreign currencies		14%	0%	53%	25%

(1) As at December 31, 2018, included in total investments were securities of private companies with a fair value totaling $714 (cost of $18,611) (2017 – fair value of $2,661 (cost of $21,034) measured in accordance with the Company's accounting policy for private company investments.

(2) During the year ended December 31, 2018 and 2017, there were no transfers from Level 2 to Level 1. Generally, the transfer out of level 2 to level 1 consists of restricted investments that would have become unrestricted during the year.

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

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

(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 loss and comprehensive loss.

	Opening balance at January 1,	Proceeds on dispositions	Net realized losses on dispositions	Net unrealized gains (losses)	Transfer out to Level 1	Ending balance
December 31, 2018	**$ 2,661**	**$ (130)**	**$ (3,040)**	**$ 1,623**	**$ (400)**	**$ 714**
December 31, 2017	2,822	(199)	43	(5)	-	2,661

Transfers between levels of fair value hierarchy are deemed to have occurred at the date of event. During the year ended December 31, 2018, the transfer out of Level 3 to Level 1 were due to two previously private investments that became publicly traded during the current year.

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.

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

Valuation technique	**December 31, 2018**		**December 31, 2017**	
	Fair Value	**Unobservable inputs**	**Fair Value**	**Unobservable inputs**
Recent financing and strategic review	**$ -**	Transaction price and adjustments	**$ 1,415**	Transaction price and adjustments
Trends in comparable publicly traded companies and general market conditions and strategic review	**714**	Adjustment range (-80% to -12.5%)	**1,407**	Adjustment range (-80% to -12.5%)
	$ 714		**2,822**	

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 +/- $178 (2017: +/- $665) 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.

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

5. Financial assets (liabilities) other than investments at fair value

Financial assets and liabilities other than investments at fair value are as follows as at December 31:

		2018		2017
Cash and cash equivalents	**$**	**7,250**	$	7,510
Due from brokers		**76**		1,897
Income taxes receivable		**19**		-
Accounts payable and accrued liabilities (a)		**(395)**		(392)
	$	**6,950**	$	9,015

The carrying values of cash and cash equivalents, due from brokers, and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity for these instruments.

(a) As at December 31, 2018, included in accounts payable and accrued liabilities are Class C preferred share liabilities of $213 (2017 - $213). 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 $10 per share. As at December 31, 2018, the redemption price was $10 per share and the retraction price in effect was $0.07 per share (2017 - $0.13 per share). During the year ended December 31, 2018, none of Class C shares were cancelled by PCIC. During the year ended December 31, 2017, 400 Class C shares were cancelled by PCIC following their retraction by the holders at $0.12 per share plus accrued and unpaid dividends. As at December 31, 2018, 21,300 Class C Shares (2017 - 21,300 Class C Shares) were issued and outstanding.

6. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 - 26.5%) to the effective tax rate is as follows:

		2018		2017
Loss before income taxes	**$**	**(2,360)**	$	(1,734)
Expected income tax recovery		**(625)**		(460)
Tax rate changes		**-**		(3)
Tax rate changes and other adjustments		**(2,166)**		1,815
Non-deductible expenses and non-taxable income		**298**		428
Tax benefit from timing differences previously not recognized		**-**		(292)
Change in tax benefits not recognized		**2,493**		(1,488)
Income tax (recovery) expense	**$**	**-**	$	-

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

6. Income taxes (continued)

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences as at December 31:

	2018	2017
Equipment	**$ 625**	$ 679
Share and debt issuance costs	**214**	441
Non-capital losses carried forward	**35,737**	27,033
Investments at fair value	**38,912**	42,098
Capital losses carried forward	**342,952**	337,801
	$ 418,440	$ 408,052

The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2020.

The Company's Canadian non-capital income tax losses expire as follows:

2030	**$ 5**
2032	**237**
2035	**5,832**
2036	**12,021**
2037	**11,523**
2038	**4,464**
2039	**1,131**
2040	**524**
	$ 35,737

The Company’s tax returns for fiscal years 2013 to 2014 are currently being audited by the Canada Revenue Agency (“CRA”). Certain tax positions taken by the Company previously, if successfully challenged by the CRA, could result in a reduction in capital and non-capital losses available for carry forward or additional tax expenses. At this time, the amount of tax exposure cannot be determined with any level of assurance.

The Company believes that the tax positions taken in the past are in compliance with the applicable tax law and will vigorously contest any reassessment. As a result, the Company has not recorded an accrual for additional tax liabilities related to the CRA audit.

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

7. Related party transactions

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

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

Type of expense	2018		2017	
Salaries, consulting fees and other benefits	**$**	**26**	$	109
Director fees		**34**		34
	$	**60**	$	143

(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) No stock options were granted to directors or officers during the year ended December 31, 2018 and 2017.

8. Equity

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

As at December 31, 2018, the Company had 9,045,198 (2017 – 9,045,198) common shares issued and outstanding.

(b) Rights offerings:

On May 12, 2017, the Company offered rights to holders of its common shares at the close of business on the record date of May 19, 2017, on the basis of one right for each common share held. Each right entitled the holder to subscribe for one common share of Pinetree upon payment of the subscription price of $2.10 per common share. The rights started trading on the TSX under the symbol PNP.RT from May 17, 2017 and expired at 5:00 p.m. (Toronto time) on June 22, 2017 (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 June 29, 2017, the Company's shareholders exercised 4,522,599 rights for 4,522,599 common shares of Pinetree under the rights offering with gross proceeds of $9,498. In accordance with the terms of the rights offering, 2507492 Ontario Ltd. ("250 Ontario"), a company controlled by Peter Tolnai, purchased 2,098,912 common shares of Pinetree at the same subscription price of $2.10 per common share for gross proceeds to Pinetree of $4,408. The Company incurred $117 transaction costs in connection with the rights offering.

(c) Stock options plan

The Company previously granted stock options to eligible directors, officers, employees, and consultants pursuant to its 2007 Stock Option Plan (the "2007 Plan"). The 2007 Plan was not renewed at the 2016 Annual General Meeting and therefore no further options can be granted under the plan.

Under the terms of the 2007 Plan, the number of common shares that may be issued did not exceed 10% of the number of common shares outstanding at the time of grant. The exercise price of an option granted under the 2007 Plan was determined by the Board of Directors and could not be less than the closing price of the common shares on the TSX on the last trading day prior to the grant date of the option.

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

8. Equity (continued)

The Board of Directors had the discretion to determine the term and vesting provisions (if any) of options granted under the 2007 Plan, provided that the option terms did not exceed 10 years.

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. The 2007 Plan was not renewed at the 2016 Annual General Meeting and therefore no further options can be granted under the plan.

(d) Stock options:

No stock options were granted during the years ended December 31, 2018 or 2017.

A summary of the status of the Company's stock options as at December 31, 2018 and 2017 and changes during the years then ended is presented below:

	2018		2017	
Stock options	**# of options**	**Weighted average exercise price**	# of options	Weighted average exercise price
Outstanding and exercisable, at beginning of year	**151,050**	**$ 22.03**	167,500	$ 37.32
Expired	**(24,400)**	**48.52**	(16,450)	92.00
Outstanding and exercisable, at end of year	**126,650**	**$ 16.93**	151,050	$ 22.03

(e) Warrants:

During the year ended December 31, 2017, 123,325 warrants exercisable at $70.00 per share expired unexercised. As at December 31, 2018 and 2017, there were no warrants outstanding

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

	Amount
Balance, December 31, 2016	$ 106,561
Expiry of warrants	1,607
Stock-based compensation	9
Balance, December 31, 2017 and 2018	$ 108,177

(g) Basic and diluted loss per common share based on net loss are as follows for the years ended December 31:

Numerator:	**2018**	2017
Net loss for the year	**$ (2,360)**	**$** (1,734)

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

8. Equity (continued)

Denominator:	**2018**	2017
Weighted average number of common shares outstanding – basic	**9,045,198**	6,814,875
Weighted average effect of diluted stock options (i)	**-**	-
Weighted average number of common shares outstanding – diluted	**9,045,198**	6,814,875

Loss per common share based on net loss for the year:	**2018**	2017
Basic and diluted	**$ (0.26)**	$ (0.25)

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 126,650 stock options as they were anti-dilutive for the year ended December 31, 2018 (2017 - 151,050 stock options).

(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 as at December 31:

	2018	2017
Common shares outstanding	**9,045,198**	9,045,198
Stock options to purchase common shares	**126,650**	151,050
Fully diluted common shares outstanding	**9,171,848**	9,196,248

9. Income

(a) Net investment losses comprises of the following for the years ended December 31:

	2018	2017
Net realized losses on disposal of investments	**$ (5,350)**	$ (17,697)
Net change in unrealized gains on investments	**3,186**	16,215
	$ (2,164)	$ (1,482)

(b) Other income comprises of the following for the years ended December 31:

	2018	2017
Interest and dividend income	**$ 275**	$ 71
Other income (i)	**-**	594
	$ 275	$ 665

(i) In 2017, other income of $594 represents the fund received from the settlement agreement on a class action law suit with a company whose shares used to be in Pinetree's investment portfolio.

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

10. Expense by nature

Included in operating, general and administrative expenses for the years ended December 31:

	2018	2017
Professional fees	**$ 146**	$ 163
Office and general	**184**	344
Transfer agent, filing fees and other info systems	**113**	90
Consulting and directors' fees	**58**	147
Transaction costs	**28**	19
Travel and other	**3**	5
Other employee benefits	**2**	3
Stock-based compensation expense	**-**	9
Foreign exchange loss (gain)	**(80)**	120
	$ 454	$ 900

11. Finance expenses

Finance expense is comprised of interest and dividend expense for the years ended December 31, 2018 and 2017.

12. Management of capital

The Company considers its capital to include all components of equity which amounts to $15,980 as at December 31, 2018 (2017 - $18,305). 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 liabilities.

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 is meeting its objective of managing capital through detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the size of the Company, is reasonable. There were no changes to the Company's objectives in managing and maintaining capital during the year ended December 31, 2018. The Company is not subject to any capital requirements imposed by a regulator or otherwise.

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

13. 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) 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, 2017. The Company's liquidity risk is limited to exposure to accounts payable and accrued liabilities.

The following table shows the Company's contractual undiscounted cash flows which are payable under financial liabilities on the consolidated statement of financial position as at December 31, 2018.

	Payments due by period				
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Accounts payable and accrued liabilities (i)	**$ 395**	**$ 395**	**$ -**	**$ -**	**$ -**

The following table shows the Company's contractual undiscounted cash flows which are payable under financial liabilities on the consolidated statement of financial position as at December 31, 2017.

	Payments due by period				
Liabilities and obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Accounts payable and accrued liabilities (i)	$ 392	$ 392	$ -	$ -	$ -

(i) Included in accounts payable and accrued liabilities are Class C preferred share liabilities of $213 (December 31, 2017 - $213) which 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.

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

13. Risk management (continued)

The following table shows the Company's source of liquidity by assets as at December 31, 2018:

	Liquidity by period				
Assets	**Total**	**Less than 1 year**	**1 – 3 years**	**After 4 years**	**Non-liquid assets**
Cash and cash equivalents	**$ 7,250**	**$ 7,250**	$ -	$ -	$ -
Due from brokers	**76**	**76**	-	-	-
Investments, at fair value	**8,969**	**8,255**	714	-	-
Prepaids and receivables	**61**	**61**	-	-	-
Income taxes receivable	**19**	**19**	-	-	-
	$ 16,375	**$ 15,661**	$ 714	$ -	$ -

The following table shows the Company's source of liquidity by assets as at December 31, 2017:

	Liquidity by period				
Assets	**Total**	**Less than 1 year**	**1 – 3 years**	**After 4 years**	**Non-liquid assets**
Cash and cash equivalents	$ 7,510	$ 7,510	$ -	$ -	$ -
Due from brokers	1,897	1,897	-	-	-
Investments, at fair value	9,268	6,607	2,661	-	-
Prepaids and receivables	22	22	-	-	-
	$ 18,697	$ 16,036	$ 2,661	$ -	$ -

(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, 2017. 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.

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

13. Risk management (continued)

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2018 from a change in the closing trade price of the Company's investments with all other variables held constant as at December 31, 2018:

Percentage change in closing trade price	**Decrease in total comprehensive loss from an % increase in closing trade price**	**Increase in total comprehensive loss from an % decrease in closing trade price**
2%	**$ 143**	**$ (143)**
4%	**286**	**(286)**
6%	**430**	**(430)**
8%	**573**	**(573)**
10%	**716**	**(716)**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2017 from a change in the closing trade price of the Company's investments with all other variables held constant as at December 31, 2017:

Percentage change in closing trade price	**Decrease in total comprehensive loss from an % increase in closing trade price**	**Increase in total comprehensive loss from an % decrease in closing trade price**
2%	$ 112	$ (112)
4%	223	(223)
6%	335	(335)
8%	446	(446)
10%	558	(558)

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash and investments affected by changes in short term interest rates will be minimal. A 1% change in interest rates impacts net income by $73 (2017 - $75) based upon balances at December 31, 2018. There were no changes to the way that the Company manages interest rate risk since December 31, 2017. Pinetree does not hedge against any interest rate risk.

(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 foreign currencies such as U.S. dollars, Euros, Great British pounds, Swedish krona, and Australian dollars. 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.

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

13. Risk management (continued)

There were no changes to the way that the Company manages currency risk since December 31, 2017. 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. A 1% change in the US dollar exchange rate impacts net income by $46 (2017 - $44) at December 31, 2018.

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

	2018	2017
Net assets denominated in U.S. dollars	**$ 4,594**	$ 4,364
Net assets denominated in GBP	**529**	-
Net assets denominated in Australian dollars	**139**	196
Net assets denominated in Swedish krona	**204**	
	$ 5,466	$ 4,560

(e) Credit risk:

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties owing it money or securities will not perform their underlying obligations and for funds held with banks or brokers for cash. The Company may, from time to time, invest in debt obligations.

As at December 31, 2018 and 2017, the Company did not hold any debt obligations. All funds in cash are held in financial institutions that have a credit rating above AA and the Company believes it is not exposed to any significant credit risk.

There were no changes to the way the Company manages credit risk during the year ended December 31, 2018. The Company is also exposed in the normal course of business to credit risk from the sale of its investments.

The following is the Company's maximum exposure to credit risk as at December 31:

	2018	2017
Cash and cash equivalents	**$ 7,250**	$ 7,510
Due from brokers	**76**	1,897
	$ 7,326	$ 9,407

(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. As at December 31, 2018, the Company's top five investments had a fair value of $6,191 in the technology and resources sectors, representing 69% and 8% of the fair value of the Company's total portfolio, of which all are public companies. As at December 31, 2017, the Company's top five investments had a fair value of $5,506 in the technology and resources sectors, representing 54%, and 5% of the fair value of the Company's total portfolio, of which four were public companies and one was private company.

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14. Operating segment 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 equipment is located in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the year ended December 31, 2018.

15. Future accounting changes

As at the date of authorization of these consolidated financial statements, the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") has issued the following new and revised Standards and Interpretations that are not yet effective for the relevant reporting periods and the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The Company intends to adopt below standard, if applicable, when the standard becomes effective:

(a) IFRS 16, *Leases* ("IFRS 16") was issued in January 2016 to improve the accounting for leases, generally by eliminating a lessees' classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard will be the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low value assets are both exempted. The measurement of the total lease expense over the term of a lease will be unaffected by the new standard. However, the new standard will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

    The presentation on the statements of loss and comprehensive loss required by the new standard will result in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The standard is effective for annual periods beginning on or after January 1, 2019 and will supersede IAS 17 Leases. The Company does not expect that the amended standards will have any impact on its consolidated financial statements.

(b) IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23") was issued in June 2017 to clarify the accounting for uncertainties in income taxes. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, *Income Taxes,* when there is uncertainty over income tax treatments, including whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The standard is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. The Company does not expect that the amended standards will have any impact on its consolidated financial statements.

16. Commitment

Under the terms of commercial occupancy lease, the Company is committed to pay $21 in 2019 which can be renewed annually.