Consolidated Financial Statements of

PINETREE

For the years ended December 31, 2014 and 2013
(Prepared in Canadian dollars)

Contents

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pinetree Capital Ltd.

We have audited the accompanying consolidated financial statements of **Pinetree Capital Ltd.**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Pinetree Capital Ltd.** as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements which indicates that **Pinetree Capital Ltd.** has defaulted on its convertible debenture debt covenant as of January 23, 2015. This default, along with other matters as set forth in Note 2(b) in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt upon **Pinetree Capital Ltd.**'s ability to continue as a going concern.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 29, 2015

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

	Notes		2014		2013
Assets					
Cash and cash equivalents	6	$	**213**	$	249
Due from brokers	6		**1,209**		3,029
Investments at fair value	5, 10(d), 17(f)		**106,760**		133,965
Prepaids and other receivables	6		**338**		358
Property, plant and equipment	7		**228**		675
Deferred tax assets	9(a)		**-**		13,000
		$	**108,748**	$	151,276
Liabilities and Equity					
Liabilities					
Convertible debentures	2(b), 8(b), 21	$	**54,520**	$	48,868
Accounts payable and accrued liabilities	8(a)		**1,367**		1,396
Income taxes payable			**1,700**		1,998
			57,587		52,262
Equity					
Share capital	11(a)		**306,103**		285,797
Warrants	11(d)		**1,607**		-
Contributed surplus	11(e)		**105,839**		105,016
Equity component of convertible debentures	8(b)		**2,838**		2,838
Foreign currency translation reserve			**(35)**		(36)
Deficit			**(365,191)**		(294,601)
			51,161		99,014
		$	**108,748**	$	151,276

Going concern basis of presentation 2(b)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Gerry Goldberg" Director

"Andrew Fleming" Director

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

	Notes	2014	2013
Net investment losses			
Net realized losses on disposal of investments		**$ (410,515)**	$ (49,567)
Net change in unrealized gains (losses) on investments	10(d)	**376,885**	(57,184)
		(33,630)	(106,751)
Other income	13	**858**	13,331
		(32,772)	(93,420)
Expenses			
Operating, general and administrative	10(a), 11(c), 14	**8,395**	8,248
Finance expenses	15	**16,800**	11,309
		25,195	19,557
Loss before income taxes		**(57,967)**	(112,977)
Income tax expense	9(e)	**12,623**	10,398
Net loss for the year		**(70,590)**	(123,375)
Other comprehensive income			
Exchange differences on translation of foreign operations		**1**	3
Total comprehensive loss for the year		**$ (70,589)**	$ (123,372)
Loss per common share based on net loss for the year	11(f)		
Basic and diluted		**$ (0.39)**	$ (0.85)
Weighted average number of common shares outstanding	11(f)		
Basic and diluted		**179,295,846**	144,763,581

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.

Consolidated Statements of Changes in Equity
Years Ended December 31, 2014 and 2013
(In thousands of Canadian dollars, except for number of shares)

	Notes	Number of shares	Share capital	Warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Deficit	Total equity
Balance as at January 1, 2013		136,447,273	$ 276,797	$ 9,762	$ 94,018	$ 2,838	$ (39)	$ (171,226)	$ 212,150
Net loss for the year		-	-	-	-	-	-	(123,375)	(123,375)
Exchange differences on translation of foreign operations		-	-	-	-	-	3	-	3
Total comprehensive loss for the year		-	-	-	-	-	3	(123,375)	(123,372)
Issued to Consenting Debentureholders, net	8(b), 11(a)	5,321,700	1,747	-	-	-	-	-	1,747
Issued pursuant to acquisitions of investments, net	11(a)	7,372,097	6,360	-	-	-	-	-	6,360
Issued pursuant to private placement, net	11(a)	3,000,000	893	-	-				893
Stock-based compensation expense	11(c)	-	-	-	1,236	-	-	-	1,236
Reallocation of expired warrants	11(d)	-	-	(9,762)	9,762	-	-	-	-
Balance as at December 31, 2013		152,141,070	$ 285,797	$ -	$ 105,016	$ 2,838	$ (36)	$ (294,601)	$ 99,014
Net loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(70,590)**	**(70,590)**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**1**	**(70,590)**	**(70,589)**
Issued pursuant to acquisitions of investments, net	11(a)	**17,636,856**	**7,998**	**-**	**-**	**-**	**-**	**-**	**7,998**
Issued pursuant to private placements	11(a)	**30,819,672**	**12,480**	**1,520**	**-**	**-**	**-**	**-**	**14,000**
Issued pursuant to finders' fees on private placement	11(a)	**1,331,557**	**512**	**87**	**-**	**-**	**-**	**-**	**599**
Share issuance costs on private placements		**-**	**(684)**	**-**	**-**	**-**	**-**	**-**	**(684)**
Stock-based compensation expense	11(c)	**-**	**-**	**-**	**823**	**-**	**-**	**-**	**823**
Balance as at December 31, 2014		**201,929,155**	**$ 306,103**	**$ 1,607**	**$ 105,839**	**$ 2,838**	**$ (35)**	**$ (365,191)**	**$ 51,161**

See accompanying notes to the consolidated financial statements.

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

	2014	2013
Cash flows from (used in) operating activities		
Net loss for the year	$ (70,590)	$ (123,375)
Items not affecting cash:		
Net realized losses on disposal of investments	410,515	49,567
Net change in unrealized losses (gains) on investments	(376,885)	57,184
Loss (gain) on purchase of convertible debentures under normal course issuer bid	130	(2,344)
Gain on extinguishment of convertible debentures	-	(9,522)
Shares issued in lieu of consenting fees, net	-	1,747
Realized gain on retraction of Class C preferred shares	(1)	-
Amortization	101	270
Impairments on property, plant and equipment	380	-
Stock-based compensation expense	823	1,236
Accretion of discount on convertible debentures	10,674	1,832
Amortization of finance expenses on convertible debentures	-	928
Deferred tax assets	13,000	10,047
	(11,853)	(12,430)
Adjustments for:		
Proceeds on disposal of investments	130,360	94,873
Purchase of investments	(128,749)	(59,008)
Decrease (increase) in due from brokers	1,820	(3,015)
Decrease (increase) in prepaids and other receivables	20	(145)
Decrease in due to brokers	-	(8,875)
Decrease in accounts payable and accrued liabilities	(29)	(1,041)
Increase (decrease) in income taxes payable	(298)	117
Net cash from (used in) operating activities	(8,729)	10,476
Cash flows from (used in) financing activities		
Purchases of convertible debentures under normal course issuer bid	(5,152)	(11,234)
Proceeds from issue of share capital pursuant to private placements, net	13,915	893
Share issuance costs	(37)	(40)
Net cash from (used in) financing activities	8,726	(10,381)
Cash flows used in investing activities		
Purchase of property, plant and equipment	(34)	(85)
Net cash used in investing activities	(34)	(85)
Net increase (decrease) in cash and cash equivalents during the year	(37)	10
Exchange differences on translation of foreign operations	1	3
Cash and cash equivalents, beginning of year	249	236
Cash and cash equivalents, end of year	$ 213	$ 249
Supplemental cash flow information		
Income taxes paid	$ -	$ 316
Dividends paid on Class C preferred shares	19	19
Finance expenses paid	5,968	6,702
Non-cash purchase of investments, net	7,998	6,360

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 130 King St. West, Suite 2500, Toronto, Canada, M5X 2A2.

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

These consolidated financial statements were approved by the Company's board of directors on March 29, 2015.

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) Going concern basis of presentation:

These consolidated financial 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 ("$").

Financial statements are required to be prepared on a going concern basis unless management either intends to liquidate the Company or cease trading, or has no realistic alternative but to do so. These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and have the ability to realize its assets and discharge its liabilities in the normal course of business. However, material uncertainty exists regarding the Company's ability to comply with certain debt covenants that it is subject to in connection with its 10% convertible secured subordinate debentures due May 31, 2016 (the "Debentures") (Note 8(b)) and the related forbearance agreement executed on February 13, 2015 (Note 21), as this ability is dependent on the future market performance of the Company's investment portfolio, which cannot be predicted.

This material uncertainty, which is discussed in greater detail below, casts significant doubt upon the Company's ability to continue as a going concern.

2. Basis of preparation (continued):

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

Under the terms of the forbearance agreement, the Company is required by July 31, 2015, among other things, to reduce the outstanding principal amount of the Debentures by $20,000 and will be subject to a covenant that limits its debt-to-assets ratio to 50% (as at month-end) for the three-month period of July through to September 2015 (the "Forbearance Covenant"). The Company also granted security over its consolidated assets to the Debentureholders to secure its obligations under the Debentures.

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

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

If the Company breaches the forbearance agreement or the indenture, the trustee or the Debentureholders may declare the principal amount of the Debentures (and accrued interest) immediately due and payable by the Company. It is uncertain whether the Company could generate sufficient funds from proceeds of dispositions of its investments, or otherwise, to repay the total amount owing to Debentureholders, if and when required to do so.

2. Basis of preparation (continued):

Furthermore, because the Debentures are secured by all of the Company's assets, including its investments, if the Debentureholders realize on their security, the Company may not have sufficient assets, or any assets remaining following repayment of its Debenture obligations to enable it to continue as a going concern. If the proceeds of realization are insufficient to pay off all of the Company's obligations to the Debentureholders, the Company would remain liable for the balance owing and would not be able to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not used, the liquidation value of the Company's investment portfolio could be significantly less than its carrying value as at December 31, 2014. Such an adjustment could have a material impact on the Company's reported total assets and net loss for the year.

(c) 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.

2. Basis of preparation (continued):

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 year are included in comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

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.

(d) Critical accounting judgments, estimates and assumptions:

The preparation of the consolidated financial 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 financial statements and reported amounts of revenue and expenses during the reporting periods. 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 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, a valuation technique is used; if no such market inputs are available, the warrants and options are valued at intrinsic value. Refer to Note 3(b)(iv) for further details.

2. Basis of preparation (continued):

(iii) Convertible debentures:

The original convertible debentures were separated into their liability and equity components on the consolidated statements of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible debt with similar terms at the time of issue.

The repurchase of the Debentures are also separated into their liability and equity components using the effective interest rate method similar to when they were issued. Refer to Note 8(b) for further details.

(iv) 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 11(c) for further details.

(v) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Refer to Note 9 for further details.

(vi) 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.

2. Basis of preparation (continued):

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.

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

(i) Going concern:

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. However, material uncertainty exits that casts significant doubt upon the Company's ability to continue as a going concern. Refer to Note 2(b) for further details.

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.

3. Significant accounting policies (continued):

(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 statement of comprehensive loss.

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 statement of comprehensive loss.

When a foreign entity is sold, such exchange differences are reclassified to profit or loss in the consolidated statement of comprehensive loss as part of the gain or loss on sale.

(b) Financial instruments (investments, Class C preferred shares and convertible debentures):

(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.

Convertible debentures are liabilities initially recognized at fair value (net of directly attributable transaction costs) and classified as subsequently measured at amortized cost.

3. Significant accounting policies (continued):

(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 8(a)). The fair value of the Class C preferred share liabilities also includes accrued dividends.

Original convertible debentures:

Convertible debentures have been classified as debt, net of the fair value of the conversion feature at the date of issue, which has been classified as part of equity. The fair value of the conversion feature is recognized initially as the difference between fair value of the convertible debentures as a whole and the fair value of their liability component. The convertible debentures are separated into their liability and equity components using the effective interest rate method.

Transaction costs related to the issue of the convertible debentures are allocated to the liability and equity components in proportion to their allocation of proceeds on initial recognition. 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. The accretion, amortization of issue costs and interest paid are expensed within finance expenses on the consolidated statements of comprehensive loss within profit or loss. The equity component is not remeasured subsequent to initial recognition except upon conversion, when it will be reclassified to share capital. The equity portion is initially recognized net of deferred income taxes.

3. Significant accounting policies (continued):

Amended convertible debentures:

Effective September 12, 2013, the terms of the convertible debentures were amended with the written consent of debenture holders. For accounting purposes, the Company determined that the amended terms of the convertible debentures were substantially different from the original terms and, in accordance with IFRS 9, the Company extinguished the carrying value of the convertible debentures and recorded a new liability which represents the fair value of the amended convertible debentures as at September 12, 2013, with the difference recognized in other income on the consolidated statements of comprehensive loss. The new liability is accreted up to the principal balance at maturity or at the expected timing of principal repayment, whichever is earlier.

Any consent fees in respect of amending the convertible debentures are immediately expensed within finance expenses on the consolidated statements of comprehensive loss within profit or loss.

(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.

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 5).

3. Significant accounting policies (continued):

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 5.

   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 5.

   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, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing trade price at the consolidated statement of financial position dates of the underlying security less the exercise price of the warrant or option, and zero. These are included in Level 2 in Note 5.

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 5. Options and warrants of private companies are carried at their intrinsic 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.

3. Significant accounting policies (continued):

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.

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 non-compliant resource;

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

3. Significant accounting policies (continued):

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. Other investment instruments:

Included in Pinetree's investments are certain instruments that are accounted for as follows:

a. Convertible debentures and convertible notes are carried as though converted to common shares.

b. Cumulative dividends expected to be received are included in the fair value of each investment.

c. The fair value of loans and promissory notes (long-term fixed-rate receivables) are evaluated by the Company based on parameters such as interest rates and individual creditworthiness of the investee.

4. 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) Property, plant and equipment:

Property, plant and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is provided at rates designed to amortize the cost of the assets over their estimated useful lives as follows:

	Rate	Basis
Computer equipment	30% to 45%	Declining balance
Computer software	55%	Declining balance
Furniture and equipment	20%	Declining balance
Leasehold improvements	1-9 years	Over the term of the lease

The carrying values of property, plant and equipment are assessed for impairment when indicators of such impairment exist, or when annual impairment testing for an asset is required. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset’s value in use.

3. Significant accounting policies (continued):

If the carrying amount of the asset exceeds its recoverable amount, the asset is deemed impaired and an impairment loss is charged to the consolidated statements of comprehensive loss. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive loss.

(f) 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.

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.

(g) Offsetting 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.

(h) 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):

(i) 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. The Company does not record deferred tax assets to the extent that it considers deductible temporary differences, the carry-forward of unused tax credits and unused tax losses cannot be utilized.

3. Significant accounting policies (continued):

(j) Stock-based compensation plans:

The Company has a stock option plan that is described in Note 11(b). 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.

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.

(k) Earnings (loss) per common share:

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

3. Significant accounting policies (continued):

Diluted earnings (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.

(l) 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.

(m) 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 statement 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.

(n) Due to brokers:

Due to brokers consists of margin borrowings collateralized by the Company's investments held at the brokers.

3. Significant accounting policies (continued):

(o) Securities lending:

Securities lent by the Company under a securities lending agreement are not derecognized as the Company retains all the risk and rewards of ownership. If the party to whom the security is lent has the right by contract to sell or repledge the security, the Company classifies that financial asset separately in its consolidated statements of financial position and identifies the asset as pledged.

(p) 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.

(q) 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.

4. Change in accounting policies:

Effective January 1, 2014, the Company has adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with the applicable transitional provisions.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) - These amendments are effective for annual periods beginning on or after January 1, 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The Company has assessed and determined that the amendments to IFRS 10, IFRS 12 and IAS 27 did not result in any change in the accounting or disclosures for its subsidiaries.

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

5. Investments at fair value and financial instruments hierarchy:

(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 liability 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).

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

		Fair Value			
		Level 1	Level 2 (ii)	Level 3	
Investments	**Cost**	**Quoted market price**	**Valuation technique – observable market inputs**	**Valuation technique – non-observable market inputs**	**Total fair value**
Equities	**$ 196,722**	**$ 75,374**	**$ 738**	**$ 19,161**	**$ 95,273**
Warrants	**-**	**25**	**7,188**	**-**	**7,213**
Promissory notes and convertible debentures	**4,675**	**-**	**-**	**4,274**	**4,274**
Total investments (i)	**$ 201,397**	**$ 75,399**	**$ 7,926**	**$ 23,435**	**$ 106,760**
Investments denominated in foreign currencies		**$ 18,131**	**$ 479**	**$ 10,330**	**$ 28,940**
% of investments denominated in foreign currencies		**24.0%**	**6.0%**	**44.1%**	**27.1%**

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

5. Investments at fair value and financial instruments hierarchy (continued):

Investments consist of the following as at December 31, 2013:

		Fair Value			
		Level 1	Level 2 (ii)	Level 3	
Investments	Cost	Quoted market price	Valuation technique – observable market inputs	Valuation technique – non-observable market inputs	Total fair value
Equities	$ 600,452	$ 97,343	$ 6,575	$ 22,122	$ 126,040
Warrants	225	224	1,514	-	1,738
Promissory notes and convertible debentures	4,867	-	-	6,187	6,187
Total investments (i)	$ 605,544	$ 97,567	$ 8,089	$ 28,309	$ 133,965
Investments denominated in foreign currencies		$ 4,387	$ 403	$ 11,547	$ 16,337
% of investments denominated in foreign currencies		4.5%	5.0%	40.8%	12.2%

(i) As at December 31, 2014, included in total investments were securities of private companies with a fair value totaling $19,944 (cost of $36,245) (2013 – fair value of $25,253 [cost of $29,663]) measured in accordance with the Company's accounting policy for private company investments.

(ii) There were no transfers from Level 1 to 2 during the year ended December 31, 2014 and 2013. During the year ended December 31, 2014, $7,107 of the investments that were held in Level 2 as at December 31, 2013 were transferred to Level 1.

During the year ended December 31, 2013, $12,315 of the investments that were held in Level 2 as at December 31, 2012 were transferred to Level 1. The transfer out of Level 2 to Level 1 consists of restricted investments that became unrestricted during the year.

(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.

	Opening balance at January 1	**Purchases / loans**	**Proceeds**	**Net realized losses**	**Net unrealized gains (losses)**	**Transfer out of Level 3**	**Ending balance**
Investments at fair value:							
December 31, 2014	**$ 28,309**	**$ 15,220**	**$ (2,322)**	**$ (179)**	**$ (11,983)**	**$ (5,610)**	**$ 23,435**
December 31, 2013	24,681	6,094	(38)	(140)	855	(3,143)	28,309

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

5. Investments at fair value and financial instruments hierarchy (continued):

Transfers between levels of fair value hierarchy are deemed to have occurred at the date of event. The transfer out of Level 3 consists of investments in private companies that became publicly-traded investments during the 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 are discussed in Note 3(b).

The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at December 31:

	2014		2013	
Valuation technique	**Fair Value**	**Unobservable inputs**	Fair Value	Unobservable inputs
Recent financing	**$ 3,489**	Transaction price	$ 20,639	Transaction price
Trends in comparable publicly-traded companies and general market conditions	**16,455**	Adjustment range (-68% to -10%)	5,670	Adjustment range (-63% to 27%)
Discounted cash flows	**3,491**	Discount rate (15%-19%)	2,000	Discount rate (face value)
	$ 23,435		$ 28,309	

For those investments valued based on recent financing, management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2014 and 2013. For those investments valued based on trends in comparable publicly-traded companies and general market conditions, the inputs used can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- $4,114 (2013 - $1,418) 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.

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

5. Investments at fair value and financial instruments hierarchy (continued):

(c) Securities lending:

The Company has entered into a securities lending agreement ("SLA") in Canada whereby securities in the portfolio are lent to regulated, locally-domiciled counterparties and governed by agreements written under Canadian law. The Company receives collateral in order to reduce the credit risk of these arrangements. Collateral must be in a readily realizable form such as a listed securities and is held in segregated accounts. Transfer of title always occurs for collateral received, although no market risk or economic benefit is taken. The level of collateral held is monitored regularly with further collateral obtained where this is considered necessary to manage the Company's risk exposure. The Company's appointed security lending managers obtain legal ownership of the collateral received and can sell it outright in the absence of default. Under the forbearance agreement, the Company can no longer lend out its securities under the SLA until the Debentures are fully repaid (see Note 21).

The details of the security lending arranging positions are as follows as at December 31:

		2014		2013
Investments at fair value lent under SLA – carrying amount	**$**	**-**	$	322
Fair value of collateral held for investments lent under SLA		**-**		676

6. Financial assets other than investments at fair value:

		2014		2013
Cash and cash equivalents	**$**	**213**	$	249
Due from brokers		**1,209**		3,029
Other receivables		**335**		167

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. As at December 31, 2013, due from brokers is net of $2,778 due to brokers that has been offset in accordance with IAS 32, *Offsetting Financial Assets and Financial Liabilities*. There was no due to brokers for 2014.

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

7. Property, plant and equipment:

	2014				2013		
	Cost	**Accumulated amortization**	**Impairments**	**Net book value**	Cost	Accumulated amortization	Net book value
Computer equipment	**$ 146**	**$ 131**	**$ 9**	**$ 6**	$ 137	$ 118	$ 19
Computer software	**68**	**49**	**3**	**16**	52	44	8
Leasehold improvements	**1,587**	**1,142**	**291**	**154**	1,587	1,092	495
Furniture and equipment	**562**	**433**	**77**	**52**	553	400	153
	$ 2,363	**$ 1,755**	**$ 380**	**$ 228**	$ 2,329	$ 1,654	$ 675

8. Financial liabilities:

	2014	2013
Accounts payable and accrued liabilities (a)	**$ 1,367**	$ 1,396
Convertible debentures, due May 31, 2016 (b)	**54,520**	48,868
	$ 55,887	$ 50,264

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 December 31, 2014, included in accounts payable and accrued liabilities are Class C preferred share liabilities of $239 (2013 - $240). The Class C preferred shares ("Class C Shares") were issued in 2009 by Pinetree's wholly-owned subsidiary, PCIC, are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 8% per annum. During the year ended December 31, 2014, $19 (2013 - $19) in dividends were declared and paid on the Class C Shares.

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, 2014, the redemption price was $10 per share and the retraction price in effect was $0.62 per share (2013 - $1.48 per share). During the year ended December 31, 2014, 100 Class C Shares were cancelled by PCIC following their retraction by the holders at $2.36 per share plus accrued and unpaid dividends. As at December 31, 2014, 23,900 Class C Shares (2013 - 24,000 Class C Shares) were issued and outstanding.

As at December 31, 2014, also included in accounts payable and accrued liabilities is accrued interest payable of $466 (2013 - $517) on the Debentures (see Note 8(b)).

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

8. 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, January 1, 2013	$	75,000
Repurchase of convertible debentures		(14,136)
Principal balance, December 31, 2013		60,864
Repurchase of convertible debentures		**(6,042)**
Ending principal balance, December 31, 2014	**$**	**54,822**

Old liability		
Opening liability balance, January 1, 2013	$	69,207
Accretion of discount on the convertible debentures		450
Amortization of finance expenses on the convertible debentures		928
Repurchase of convertible debentures		(13,578)
Extinguishment of convertible debentures		(57,007)
Ending liability balance, December 31, 2013	**$**	**-**

New liability		
Opening liability balance, September 12, 2013	$	47,486
Accretion of discount on the convertible debentures		1,382
Liability balance, December 31, 2013		48,868
Repurchase of convertible debentures		**(5,022)**
Accretion of discount on the convertible debentures		**10,674**
Ending liability balance, December 31, 2014	**$**	**54,520**

Equity component		
Opening equity component balance, January 1, 2013	$	2,838
No transactions		-
Ending equity component balance, December 31, 2014 and December 31, 2013	**$**	**2,838**

As at December 31, 2014, the fair value of the Debentures was $42,761 (2013 - $42,039) 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 as defined in Note 5(a).

The Company's Debentures are convertible into common shares of the Company on the basis of a conversion price of $4.25 per share ("Conversion Price"), subject to adjustment under certain circumstances. In connection with the issuance of the Debentures, the Company paid cash commissions, legal costs and other expenses of $4,088 (issue costs).

For accounting purposes, the Debentures were separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the Debentures assuming a 9.47% effective interest rate, which was the estimated rate for the Debentures without the conversion feature.

8. Financial liabilities (continued):

The fair value of the equity component (the conversion feature) was determined at the time of issue as the difference between the face value of the Debentures and the fair value of the liability component.

After May 31, 2014, the Company may redeem the Debentures in whole or in part provided that the weighted average trading price of the Company's common shares during a specified period prior to redemption is at least 125% of the Conversion Price. The Company may satisfy part of the payment of principal upon redemption or at maturity in common shares under certain circumstances. The Debentures are subject to certain covenants including maintenance of certain financial ratios and restrictions on redemption.

During the year ended December 31, 2013, the Company amended its existing normal course issuer bid for its Debentures to increase the amount of Debentures that it could purchase under the bid from $3,750 principal amount to $7,440. The bid expired and was renewed for a further twelve months (both bids, the "NCIBs") during the year. Pursuant to the terms of the renewed NCIB and in accordance with the policies of the TSX, during the period commencing May 21, 2013 and ending on May 20, 2014, the Company could purchase up to $6,696 principal amount of Debentures representing up to 10% of the "public float" of the Debentures that were outstanding on May 13, 2013. NCIB purchases were made in open market transactions through the facilities of the TSX and on other alternative Canadian trading systems at market prices prevailing at the time of acquisition and otherwise in accordance with the TSX rules. All Debentures purchased under the NCIB were cancelled.

The Company purchased and cancelled an aggregate of $14,136 principal amount of Debentures under the NCIBs (representing the maximum amount permitted under both bids) during the year ended December 31, 2013 at an average price of $79.35 per $100.00 principal amount, for total consideration of $11,234, including commissions of $18. Included in other income for the year ended December 31, 2013 is a gain of $2,344 on the purchase of the Debentures under the NCIBs. The renewed NCIB terminated in June 2013 following the Company's acquisition of the maximum amount of the Debentures permitted under the bid.

For accounting purposes, repurchased Debentures were separated into their liability and equity components using the effective interest rate method similar to when they were issued. The fair value of the liability component at the time of repurchase, which was calculated using an average effective interest rate of 16.91% (the rate attributable to a comparable debt instrument without a conversion feature), is the amount reflected as the total consideration paid for the repurchased Debentures. Accordingly, the entire repurchase was accounted for as a reduction of the liability.

8. Financial liabilities (continued):

Effective September 12, 2013, the terms of the Debentures were amended with the written consent of Debenture holders to: (1) increase the interest rate payable to 10% per annum effective as at November 30, 2013 and (2) amend one of the debt covenants (the “Covenant”) in the indenture governing the Debentures to provide that, for a period of nine months, Pinetree’s debt-to-assets ratio could not exceed 50% (an increase from 33%).

Debenture holders (the “Consenting Debentureholders”) representing an aggregate of approximately $51,933 principal amount of Debentures (the “Consenting Debentures”) consented in writing to the Debenture amendments acted above. The Company paid a consent fee equal to $0.06 for each $1 principal amount of Consenting Debentures held to each Consenting Debentureholder who completed and submitted the proper documentation by November 30, 2013.

The consent fee was payable in cash or, alternatively, common shares of Pinetree, on the basis of 180 common shares for every $1 principal amount of Consenting Debentures to the eligible Consenting Debentureholders who properly elected to receive common shares in lieu of cash within the prescribed period. In satisfaction of its consent fee obligations, the Company paid cash of $1,300 and issued 5,321,700 common shares to Consenting Debentureholders.

For accounting purposes, the Company determined that the amended terms of the Debentures were substantially different from the original terms and, in accordance with IFRS 9, the Company extinguished the carrying value of the Debentures and recorded a new liability of $47,486, which represents the fair value of the amended Debentures as at September 12, 2013, with the difference of $9,522 recognized in other income on the consolidated statements of comprehensive loss. The effective interest rate of the amended Debentures is 20.40% (originally 9.47%). The prepayment option for Pinetree to redeem the amended Debentures based on terms described on the previous page is an embedded derivative that required bifurcation in accordance with IFRS 9. The fair value of the embedded derivative as at December 31, 2014 and 2013 was nil.

In May 2014, the Company renewed its normal course issuer bid in respect of its Debentures. Pursuant to the terms of the renewed NCIB, and in accordance with the policies of the TSX, during the period commencing May 21, 2014 and ending May 20, 2015, the Company may purchase up to $6,044 principal amount of Debentures, representing 10% of the “public float” of the Debentures that were outstanding on May 13, 2014.

During the year ended December 31, 2014, the Company purchased and cancelled an aggregate of $6,042 principal amount of Debentures under the NCIB at an average price of $85.17 per $100.00 principal amount, for total consideration of $5,152, including commissions of $7. Included in finance expenses for the year ended December 31, 2014 is a loss of $130 on the purchase of the Debentures under the NCIB.

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

8. Financial liabilities (continued):

As at October 31, 2014, the Company's debt-to-assets ratio was 38.8% and the Company was not in compliance with the Debenture Covenant. In November 2014, the Company received written notice of default from the trustee to cure or obtain a waiver for the default by January 23, 2015 (see Note 21). As at December 31, 2014, the Company's debt-to-assets ratio was 50.8% and the Company believed it would not cure the default by January 23, 2015. As a result, the Company has accelerated the accretion of discount on the Debentures by $6,655.

9. Income taxes:

(a) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets in the consolidated statements of financial position are presented below:

Deferred tax assets	**2014**	2013
Investments – differences in carrying value and tax cost	**$ 80**	$ 12,306
Share issuance costs and consent fees on Debentures	**-**	1,242
Property, plant and equipment	**-**	98
Convertible debentures	**(80)**	(646)
Total deferred tax assets (9(c))	**$ -**	$ 13,000

(b) The following are the components of the deferred income tax expense in the consolidated statements of comprehensive loss for the years ended December 31:

	2014	2013
Investments – differences in carrying value and tax cost	**$ 12,226**	$ 14,298
Share issuance costs and other	**1,242**	(1,207)
Property, plant and equipment	**98**	10
Net reversal of tax on future capital gains dividend	**-**	(2,859)
Convertible debentures	**(566)**	(195)
	$ 13,000	$ 10,047

(c) The realization of deferred tax assets is dependent upon future profit during the periods in which those temporary differences become deductible. Management considers the expected reversal of net deferred income tax assets and projected future profit in making this assessment. Based upon the level of historical profit, historical market trends of a comparable market index and the Company's current debt covenant default, management believes it is not probable that the Company will generate sufficient profit to realize the benefits of these deductible differences as at December 31, 2014. The full deferred tax assets as at December 31, 2014 was $51,207 (2013 - $56,959).

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

9. Income taxes (continued):

(d) As at December 31, 2014, the Company has approximately $6,589 (2013 - $1,230) of Canadian non-capital losses and $208,266 (2013 - $24,762) of capital losses available to reduce future years' profits for tax purposes, the tax effect of which has not been recorded in the accounts.

The capital losses can be carried forward indefinitely. The non-capital losses will expire in 2034.

2033	$	10
2034		6,579
	$	6,589

(e) Significant components of the income tax expense for the years ended December 31 are as follows:

		2014		2013
Current tax expense (recovery)	**$**	**(377)**	$	351
Deferred tax expense relating to origination and reversal of temporary differences		**13,000**		10,047
	$	**12,623**	$	10,398

(f) The income tax expense attributable to loss before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 26.5% (2013 - 26.5%) of pre-tax profits as a result of the following for the years ended December 31:

		2014		2013
Loss before income taxes	**$**	**(57,967)**	$	(112,977)
Computed expected income tax benefit		**(15,361)**		(29,939)
Non-taxable portion of capital losses		**54,023**		6,381
Non-taxable portion of unrealized losses (gains)		**(49,249)**		7,658
Net deferred tax assets not recognized		**18,013**		28,443
Non-taxable loss (gain) on extinguishment and accretion of discount on convertible debentures		**2,829**		(2,523)
Expiration of Ontario transitional tax credits		**2,696**		-
Non-taxable stock-based compensation expense		**218**		327
Tax rate differential		**9**		33
Permanent and other differences		**(555)**		18
Income tax expense	**$**	**12,623**	$	10,398

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

10. 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 service	Nature of relationship	2014	2013
Salaries, consulting fees and other benefits	Officers	**$ 1,029**	$ 1,359
Directors' fees (i)	Directors	**119**	116
Stock-based compensation expense (ii)	Directors and officers	**598**	888

(i) Non-management directors of the Company are entitled to remuneration for their services at rates recommended by the corporate governance and nominating committee and approved by the board of directors. In addition, directors are reimbursed for reasonable travelling, hotel and other incidental expenses in respect of attending meetings of the directors. During the years ended December 31, 2014 and 2013, each non-management director received an annual retainer of $15 (other than the chair of the audit committee, who received an annual retainer of $20) and a fee of $1 per board or committee meeting attended in person or by telephone.

(ii) Reflects the costs recorded during each year of stock option grants which vests during the year-end. See (c) below for grants made during each year.

(b) In October 2013, the Company issued 72,360 common shares to a director and officers of the Company who were Consenting Debentureholders, in satisfaction of the consent fee payable to them. See Note 8(b).

(c) During the year ended December 31, 2014, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 31, 2014	1,250,000	$ 0.50	March 30, 2019
May 30, 2014	500,000	0.42	May 29, 2019
August 29, 2014	250,000	0.33	August 28, 2019
November 28, 2014	3,550,000	0.16	November 27, 2019
Total granted	5,550,000		

During the year ended December 31, 2013, the Company granted to directors and officers the following options:

Date Granted	Options Granted	Exercise Price	Expiry
March 28, 2013	1,050,000	$ 0.62	March 27, 2018
August 29, 2013	1,450,000	0.43	August 28, 2018
November 29, 2013	250,000	0.27	November 28, 2018
Total granted	2,750,000		

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

10. Related party transactions (continued):

(d) Investments in associates:

The Company's directors and officers may have investments in and hold management and/or director and officer positions in some of the Company's investments. The Company makes minority investments (less than 50%) in the equity of companies (including convertible securities) by way of open market transactions and private placement financings. It is presumed that it is possible to exert significant influence when an equity holding is greater than 20% on a partially diluted basis. However, the Company also considers other factors when determining if it has significant influence such as board representations and officers and directors involvement with the investee. These investments are not equity accounted for (as permitted by IAS 28) but are related party transactions. Furthermore, the Company has certain regulatory trading restrictions on investments with an equity holding of greater than 20%.

The total amounts included in the consolidated statements of financial position for investments in associates are as follows as at December 31:

	2014	2013
Investments at fair value	**$ 20,400**	$ 11,490
Cost of investments	**39,629**	53,770

The total amounts included in the consolidated statements of comprehensive loss for investments in associates are as follows for the years ended December 31:

	2014	2013
Net change in unrealized gains (losses) on investments	**$ 2,141**	$ (9,800)
Interest earned on promissory notes	**47**	42

In June 2014, the Company acquired securities of Sviral Inc. ("Sviral"), a private company, for total consideration of $5,488 (US$5,000) by paying US$500 cash and issuing 10,975,610 common shares of the Company to Sviral at deemed value of $0.45 per share. The Sviral investment was undertaken in the normal course of the Company's investment activities.

In July 2014, the Company acquired securities of Latin American Minerals Inc. ("Latin"), a publicly traded company on the TSXV under the symbol "LAT", for total consideration of $1,000 by issuing 2,000,000 common shares of the Company to Latin at deemed value of $0.50 per share. The Latin investment was undertaken in the normal course of the Company's investment activities.

10. Related party transactions (continued):

In November 2014, the Company acquired a $3,000 12% secured promissory note and 1,000 warrants of Keek Inc. ("Keek"), a publicly traded company on the TSXV under the symbol "KEK", at a total cost of $3,000. Each warrant is exercisable at $3.00 per share expiring on November 5, 2017. In January 2014, the Company acquired a $250 secured 12% convertible debentures (convertible at $3.00 per share) of Keek. The Keek investments was undertaken in the normal course of the Company's investment activities.

In December 2013, the Company acquired securities of Augusta Industries Inc. ("Augusta"), a publicly traded company on the TSXV under the symbol "AAO", at a total cost of $900 and issued 3,000,000 common shares of the Company to Augusta for gross proceeds of $900 to Pinetree. The Augusta investment was undertaken in the normal course of the Company's investment activities.

11. Equity:

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

In April 2014, the Company completed a non-brokered private placement of 819,672 common shares of the Company at a price of $0.61 per share resulting in aggregate gross proceeds to the Company of $500 and purchased an investment in securities for an equal amount. The share issuance costs were $6.

In May 2014, the Company completed a non-brokered private placement of 23,333,333 units of the Company at a price of $0.45 per unit, resulting in aggregate gross proceeds of $10,500 to the Company. Each unit was comprised of one common share of Pinetree and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.75 per share until expiry on May 26, 2017.

In connection with the private placement, the Company paid finders' fees in the form of an aggregate of 1,331,557 units of the Company at a deemed price of $0.45 per unit for a total cost of $599. The units have the same terms and conditions as the units sold in the private placements.

The Company issued a total of 12,332,451 warrants which were valued using the Black-Scholes option pricing model with the following assumptions: expected volatility of 64.3%; dividend yield of 0%; risk-free interest rate of 1.1%; and an expected life of 3.0 years. The total value assigned to the warrants was $1,607. The share issuance costs were $68.

In June 2014, the Company issued 15,636,856 common shares in exchange for certain investments totaling $7,037.

11. Equity (continued):

In July 2014, the Company issued 2,000,000 common shares in exchange for certain investments totaling $1,000. In July 2014, the Company issued an aggregate of 6,666,667 common shares of the Company (at a price of $0.45 per share) as consideration for a $3,000 investment in securities of Kerr Mines Inc, a publicly traded company on the TSXV under the symbol “KER”. The share issuance costs were $11.

During the year ended December 31, 2013, the Company issued 7,372,097 common shares in exchange for certain investments totaling $6,360, net of share issuance costs.

In October 2013, the Company issued 5,321,700 common shares to certain holders of the Debentures totaling $1,756 in satisfaction of the fee payable to them for consenting to amendments to the Debentures. The share issuance costs were $9.

On December 19, 2013, the Company completed a non-brokered private placement of 3,000,000 common shares of the Company at a price of $0.30 per share resulting in aggregate gross proceeds to the Company of $900. The share issuance costs were $7.

(b) Stock option plans:

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.

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.

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

11. Equity (continued):

(c) Stock options:

The following table summarizes stock options granted during the year ended December 31, 2014:

Date Granted	Options Granted	Exercise Price	Expiry
March 31, 2014	2,015,000	$ 0.50	March 30, 2019
May 30, 2014	500,000	0.42	May 29, 2019
August 29, 2014	350,000	0.33	August 28, 2019
November 28, 2014	4,445,000	0.16	November 27, 2019
Total granted	7,310,000		

The following table summarizes stock options granted during the year ended December 31, 2013:

Date Granted	Options Granted	Exercise Price	Expiry
March 28, 2013	1,580,000	$ 0.62	March 27, 2018
August 29, 2013	1,990,000	0.43	August 28, 2018
November 29, 2013	250,000	0.27	November 28, 2018
Total granted	3,820,000		

Stock options granted during the year ended December 31, 2014 and 2013 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.

The fair value of the options granted during the year ended December 31, 2014 was estimated at the date of grant using the following weighted average assumptions:

Black-Scholes option valuation model assumptions used	
Expected volatility	**63.8%**
Expected dividend yield	**0.0%**
Risk-free interest rate	**1.2%**
Expected option life in years	**3.4**
Expected forfeiture rate	**3.3%**
Fair value per stock option granted on March 31, 2014	**$ 0.23**
Fair value per stock option granted on May 30, 2014	**$ 0.19**
Fair value per stock option granted on August 29, 2014	**$ 0.16**
Fair value per stock option granted on November 28, 2014	**$ 0.07**

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

11. Equity (continued):

The fair value of the options granted during the year ended December 31, 2013 was estimated at the date of grant using the following weighted average assumptions:

Black-Scholes option valuation model assumptions used	
Expected volatility	**62.6%**
Expected dividend yield	**0.0%**
Risk-free interest rate	**1.3%**
Expected option life in years	**3.2**
Expected forfeiture rate	**3.6%**
Fair value per stock option granted on March 28, 2013	**$ 0.26**
Fair value per stock option granted on August 29, 2013	**$ 0.19**
Fair value per stock option granted on November 29, 2013	**$ 0.12**

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

For the year ended December 31, 2014, included in operating, general and administrative expenses is stock-based compensation of $823 (2013 - $1,236) relating to the stock options granted to directors, officers, employees and consultants of the Company.

A summary of the status of the Company's stock options as at December 31, 2014 and 2013 and changes during the years then ended is presented below:

	2014		2013	
Stock Options	**# of Options**	**Weighted Average Exercise Price**	# of Options	Weighted Average Exercise Price
Outstanding, at beginning of year	**14,331,900**	**$ 1.36**	12,579,400	$ 1.84
Granted	**7,310,000**	**0.28**	3,820,000	0.50
Forfeited	**(108,337)**	**0.53**	(58,336)	0.93
Expired	**(3,557,653)**	**1.41**	(2,009,164)	2.69
Outstanding, at end of year	**17,975,910**	**$ 0.92**	14,331,900	$ 1.36
Exercisable, at end of year	**11,525,044**	**$ 1.30**	11,056,849	$ 1.61

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

11. Equity (continued):

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2014:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
265,000	**265,000**	**$ 1.83**	March 31, 2015
880,910	**880,910**	**1.46**	May 31, 2015
250,000	**250,000**	**1.41**	August 31, 2015
250,000	**250,000**	**3.23**	November 30, 2015
1,360,000	**1,360,000**	**3.17**	March 30, 2016
250,000	**250,000**	**2.93**	May 30, 2016
250,000	**250,000**	**1.92**	August 30, 2016
1,395,000	**1,395,000**	**1.61**	November 29, 2016
100,000	**100,000**	**1.38**	March 29, 2017
250,000	**250,000**	**0.88**	May 30, 2017
400,000	**400,000**	**0.90**	August 30, 2017
1,475,000	**1,475,000**	**0.89**	November 29, 2017
1,450,000	**1,450,000**	**0.62**	March 27, 2018
1,890,000	**1,574,990**	**0.43**	August 28, 2018
250,000	**166,666**	**0.27**	November 28, 2018
1,965,000	**982,480**	**0.50**	March 30, 2019
500,000	**166,666**	**0.42**	May 29, 2019
350,000	**58,332**	**0.33**	August 28, 2019
4,445,000	**-**	**0.16**	November 27, 2019
17,975,910	**11,525,044**		

(d) Warrants:

A summary of the status of the Company's warrants as at December 31, 2014 and 2013 and the changes during the years then ended is presented below:

	December 31, 2014		
	# of warrants	**Weighted average exercise price**	**Amount**
Outstanding, at beginning of year	**-**	**$ -**	**$ -**
Issued	**12,332,451**	**0.75**	**1,607**
Outstanding, at end of year	**12,332,451**	**$ 0.75**	**$ 1,607**

	December 31, 2013		
	# of warrants	Weighted average exercise price	Amount
Outstanding, at beginning of year	8,638,650	$ 3.50	$ 9,762
Expired	(8,638,650)	3.50	(9,762)
Outstanding, at end of year	-	$ -	$ -

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

11. Equity (continued):

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

		Amount
Balance, January 1, 2013	$	94,018
Stock-based compensation (Note 11(c))		1,236
Fair value of expired warrants and broker warrants		9,762
Balance, December 31, 2013		105,016
Stock-based compensation (Note 11(c))		**823**
Fair value of expired warrants and broker warrants		**-**
Balance, December 31, 2014	**$**	**105,839**

Contributed surplus comprises of the following as at December 31:

		2014		2013
Fair value of stock-based compensation	**$**	**33,528**	$	32,705
Fair value of expired warrants and broker warrants		**72,268**		72,268
Cancellation of shares under normal course issuer bid		**43**		43
	$	**105,839**	$	105,016

(f) Basic and diluted loss per common share based on loss for the year ended December 31:

Numerator:		**2014**		2013
Net loss for the year	**$**	**70,590**	$	123,375

Denominator:	**2014**	2013
Weighted average number of common shares outstanding - basic	**179,295,846**	144,763,581
Weighted average effect of diluted convertible securities (i)	**-**	-
Weighted average number of common shares outstanding – diluted	**179,295,846**	144,763,581

Loss per common share based on net loss for the year:		**2014**		2013
Basic and diluted	**$**	**0.39**	$	0.85

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 204,456,691 shares related to convertible securities that were anti-dilutive for the year ended December 31, 2014 (2013 – 107,731,117 shares).

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

11. Equity (continued):

(g) 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 December 31:

	2014	2013
Common shares outstanding	**201,929,155**	152,141,070
Stock options outstanding to purchase common shares	**17,975,910**	14,331,900
Warrants to purchase common shares	**12,332,451**	-
Debentures convertible to common shares (i)	**12,899,294**	14,320,941
Fully diluted common shares outstanding	**245,136,810**	180,793,911

(i) Assuming the convertible debentures are converted by the holders at $4.25 per share (235.2941 common shares per $1 principal amount).

12. Commitments:

As at December 31, 2014, future minimum annual lease payments under operating leases for equipment and premises are approximately as follows:

2015	$	590
2016		590
2017		597
2018		613
2019 to 2023		3,065
	$	**5,455**

13. Other income:

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

		2014		2013
Interest income	**$**	**452**	$	343
Income from sublease and service agreements		**324**		520
Dividend income		**53**		533
Income from securities lending (Note 5(c))		**29**		69
Gain on extinguishment of convertible securities (Note 8(b))		**-**		9,522
Gain on purchase of convertible debentures under NCIBs (Note 8(b))		**-**		2,344
	$	**858**	$	13,331

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

14. Expenses by nature:

Operating, general and administrative expenses comprises of the following for the years ended December 31:

		2014		2013
Salaries	**$**	**2,226**	$	2,172
Transaction costs		**1,416**		776
Stock-based compensation expense		**823**		1,236
Other office and general		**664**		651
Professional fees		**611**		1,006
Operating lease payments		**597**		591
Consulting and directors' fees		**574**		529
Travel and other		**491**		405
Impairments of property, plant and equipment		**380**		-
Transfer agent, filing fees and other information systems		**359**		393
Other employee benefits		**175**		173
Amortization		**101**		270
Exploration and evaluation expenditures		**-**		50
Foreign exchange gain		**(22)**		(4)
	$	**8,395**	$	8,248

15. Finance expenses:

Finance expenses comprises of the following for the years ended December 31:

		2014		2013
Accretion of discount and interest expense on convertible debentures	**$**	**16,421**	$	7,200
Consent fee (Note 8(b))		**-**		3,056
Amortization of finance expenses on convertible debentures		**-**		928
Interest expense on margin borrowings and other		**249**		125
Loss on the repurchase of convertible debentures		**130**		-
	$	**16,800**	$	11,309

16. Management of capital:

The Company includes the following items in its managed capital as at December 31:

		2014		2013
Convertible debentures	**$**	**54,520**	$	48,868
Equity comprises of:				
Share capital		**306,103**		285,797
Warrants		**1,607**		-
Contributed surplus		**105,839**		105,016
Equity component of convertible debentures		**2,838**		2,838
Foreign currency translation reserve		**(35)**		(36)
Deficit		**(365,191)**		(294,601)
	$	**105,681**	$	147,882

16. Management of capital (continued):

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets and the debt incurrence and maintenance covenants, among other covenants, to which it is subject in connection with the Debentures. During the year ended December 31, 2013, the Company was in default of one of its debt-to-assets maintenance covenants and subsequently cured to the default. Effective September 12, 2013, the covenant was amended to permit a debt-to-assets ratio of up to 50% (previously 33%) for the following nine months. Thereafter, the Company was required to maintain a debt-to-assets ratio of 33%. Since October 31, 2014, the Company has been in default of its debt-to-assets covenant (Notes 2(b), 21).

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

The Company's objectives when managing capital are:

(a) to ensure that the Company maintains the level of capital and debt ratios necessary to comply with the forbearance agreement and the indenture governing the Debentures (see Note 21); and

(b) to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

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

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

(b) raising capital through equity financings.

The Company is not subject to any capital requirements imposed by a regulator.

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. Under the forbearance agreement, the Company cannot pay dividends on its common shares until the Debentures are fully repaid. However, the holders of the Class C Shares issued by PCIC are entitled to receive cumulative dividends at a rate of 8% per annum. During the year ended December 31, 2014, PCIC declared and paid to Class C shareholders dividends totaling $19 (2013 - $19).

17. 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 several risks including liquidity, market, interest rate, currency and credit risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Liquidity risk:

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due.

The Company's 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 (see Note 2(b)).

There were no changes to the way that the Company manages liquidity risk since December 31, 2013. The Company's liquidity risk is limited to exposure to trade payables and interest and principal on the Debentures (see Notes 2(b) and 21).

As at December 31, 2014 and 2013, the Company was not using any margin.

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, 2014. As at December 31, 2014, interest on the Debentures was based on the assumption of contractual default on the Debentures on January 23, 2015 (see Notes 2(b) and 8(b)).

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

17. Risk management (continued):

Liabilities and obligations	**Payments due by period**				
	Total	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Accounts payable and accrued liabilities	**$ 901**	**$ 901**	**$ -**	**$ -**	**$ -**
Convertible debentures	**54,822**	**54,822**	**-**	**-**	**-**
Interest on convertible debentures	**811**	**811**	**-**	**-**	**-**
	$ 56,534	**$ 56,534**	**$ -**	**$ -**	**$ -**

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, 2013:

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	$ 879	$ 879	$ -	$ -	$ -
Convertible debentures	60,864	-	60,864	-	-
Interest on convertible debentures	15,216	6,086	9,130	-	-
	$ 76,959	$ 6,965	$ 69,994	$ -	$ -

The following table shows the Company's source of liquidity by assets as at December 31, 2014:

Assets	**Liquidity by period**				
	Total	**Less than 1 year**	**1 – 3 years**	**After 4 years**	**Non-liquid assets**
Cash and cash equivalents	**$ 213**	**$ 213**	**$ -**	**$ -**	**$ -**
Due from brokers	**1,209**	**1,209**	**-**	**-**	**-**
Investments at fair value	**106,760**	**86,286**	**20,474**	**-**	**-**
Prepaids and other receivables	**338**	**335**	**-**	**-**	**3**
Property, plant and equipment	**228**	**-**	**-**	**-**	**228**
	$ 108,748	**$ 88,043**	**$ 20,474**	**$ -**	**$ 231**

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

17. Risk management (continued):

The following table shows the Company's source of liquidity by assets as at December 31, 2013:

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

(b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

Additionally, in accordance with IFRS 9, Pinetree is required to fair value its investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position.

There has been certain changes to the way that the Company manages market risk since December 31, 2013. The Company has reduced the number of investments during the year from 374 to 84 investments as at December 31, 2014 and reduced its exposure to resource sector investments and increased its exposure to the technology sector. 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 in the technology sector (see Note 17(f)).

The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required. During periods of significantly broader market volatility or volatility experienced by the 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)

17. Risk management (continued):

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

Percentage of change in closing trade price	**Decrease in loss from % increase in closing trade price**	**Increase in loss from % decrease in closing trade price**
2%	**$ 1,852**	**$ (1,852)**
4%	**3,705**	**(3,705)**
6%	**5,557**	**(5,557)**
8%	**7,409**	**(7,409)**
10%	**9,261**	**(9,261)**

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2013 from a change in the closing trade price of the Company's investments with all other variables held constant as at December 31, 2013:

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

(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 December 31, 2014 and 2013, the Company did not have any significant interest rate risk. The Company's obligations under the Debentures bear interest at a fixed rate of 10%. There were no changes to the way that the Company manages interest rate risk since December 31, 2013. 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 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.

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

17. Risk management (continued):

There were no changes to the way that the Company manages currency risk since December 31, 2013. 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 December 31:

	2014	2013
Denominated in U.S. dollars:		
Investments	**$ 28,650**	$ 12,720
Cash and cash equivalents	**12**	17
Due from brokers	**70**	334
Prepaids and other receivables	**-**	1
Accounts payable and accrued liabilities	**(13)**	(18)
Net assets denominated in U.S. dollars	**$ 28,719**	$ 13,054
Denominated in Australian dollars:		
Investments	**$ 19**	$ 2,601
Due from brokers	**-**	100
Net assets denominated in Australian dollars	**$ 19**	$ 2,701
Denominated in British pounds:		
Investments	**$ 271**	$ 872
Due from brokers	**-**	484
Net assets denominated in British pounds	**$ 271**	$ 1,356

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2014 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2014:

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%	**$ 422**	**$ (422)**
4%	**844**	**(844)**
6%	**1,267**	**(1,267)**
8%	**1,689**	**(1,689)**
10%	**2,111**	**(2,111)**

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

17. Risk management (continued):

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2013 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2013:

Percentage of change in U.S. dollar	Decrease in loss from an increase in % in the U.S. dollar exchange rate	Increase in loss from a decrease in % in the U.S. dollar exchange rate
2%	$ 192	$ (192)
4%	384	(384)
6%	576	(576)
8%	768	(768)
10%	960	(960)

(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, 2013.

As at December 31, 2014, the total fair value of the Company's investments in convertible debentures, convertible notes, and promissory notes was $4,274 (2013 - $6,187). The Company believes that it is not significantly exposed to credit risk, as these investments comprise 4.0% (2013 - 4.6%) of the Company's total investments.

The Company entered into a securities lending agreement with its prime broker in order to earn additional revenue, which is included in other income in the consolidated statements of comprehensive loss (Note 5(c)). The Company receives collateral in an amount equal to the percentage of the market value of the loaned securities as agreed with the prime broker. The securities on loan continue to be included in investments on the consolidated statements of financial position. The Company believes that it is not significantly exposed to credit risk since the prime broker is required to pay the Company the fair value of the securities loaned if the securities are not returned upon the Company's request. There were no securities loaned as at December 31, 2014. As at December 31, 2013, the total fair value of investments loaned to third parties was $322, which comprise 0.2% of the Company's total investments. Subsequent to December 31, 2014, the Company granted security over its assets, including its investments, in favour of the Debentureholders and is precluded from undertaking any securities lending activities (see Note 21).

(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.

17. Risk management (continued):

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 December 31, 2014, the Company's top five investments had a fair value of $59,474 in the technology sector representing 55.7% of the fair value of the Company's total portfolio, all of which are publicly traded companies. As at December 31, 2013, the Company's top five investments had a fair value of $25,704 in the resource and technology sectors representing 13.1% and 6.1%, respectively, of the fair value of the Company's total portfolio.

18. 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 property, plant and equipment are located in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the year ended December 31, 2014.

19. Future accounting changes:

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

(a) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014, which replaced IAS 11, *Construction Contracts*, IAS 18, *Revenue Recognition*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter*

19. Future accounting changes (continued):

Transactions Involving Advertising Services. IFRS 15 provides a single, principles based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, *Consolidated Financial Statements* and IFRS 11, *Joint Arrangements*. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs.

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

(b) In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

20. Comparative consolidated financial statements:

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2014 consolidated financial statements.

21. Subsequent event:

(a) On January 23, 2015, the default of the Debenture Covenant became an "Event of Default" under the indenture governing the Debentures when the default was neither cured nor waived by that date. On February 13, 2015, the Company entered into a forbearance agreement with Equity Financial Trust Company, as trustee on behalf of the Debentureholders, in connection with the Event of Default. Pursuant to the terms of the forbearance agreement, until October 31, 2015, the Debentureholders will refrain from exercising any rights or remedies that they may have under the indenture or otherwise in respect of the Event of Default and any subsequent default of the Debenture Covenant, unless a breach of the forbearance agreement occurs. As a result of the agreement reached with Debentureholders:

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

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

In these circumstances, the liquidation value of the Company's portfolio may be significantly less than its carrying value as at December 31, 2014. The accelerated repayment of the Debentures under the forbearance agreement would significantly reduce the Company's investments and the reduction of these assets would be material.

(b) Subsequent to December 31, 2014, the Company announced that it will exercise its right to partially redeem the Debentures, in accordance with the terms of the trust indenture governing the Debentures. On April 30, 2015 (the "Redemption Date"), Pinetree will redeem $10,000 of the $54,822 aggregate principal amount of Debentures currently outstanding. The Debentures will be redeemed on a *pro rata* basis at par, together with all accrued and unpaid interest thereon up to but excluding the Redemption Date, for a total redemption amount equal to $1.04137 for each $1 principal amount of Debentures redeemed (less any applicable taxes required to be withheld).