PINETREE CAPITAL LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

(EXPRESSED IN CANADIAN DOLLARS)

To the Shareholders of Pinetree Capital Ltd.:

We have audited the accompanying consolidated financial statements of Pinetree Capital Ltd., which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the year 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 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditor considers 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 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, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements which describes the material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matters
The consolidated financial statements of Pinetree Capital Ltd. as at December 31, 2014 and for the year then ended, were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements in their report dated March 29, 2015

MNP LLP

Toronto, Ontario
March 17, 2016

Chartered Professional Accountants
Licensed Public Accountants

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Pinetree Capital Ltd.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

		As at December 31, 2015		As at December 31, 2014
ASSETS				
Cash and cash equivalents (note 5)	**$**	**2,336**	$	213
Due from brokers (note 5)		**199**		1,209
Investments at fair value (notes 4 and 9(c))		**27,864**		106,760
Prepaids and other receivables (note 5)		**69**		338
Equipment (note 6)		**-**		228
Total assets	**$**	**30,468**	$	108,748
LIABILITIES AND EQUITY				
Liabilities				
Convertible debentures (notes 2(b) and 7(b))	**$**	**9,716**	$	54,520
Accounts payable and accrued liabilities (note 7(a))		**1,250**		1,367
Income taxes payable		**-**		1,700
Total liabilities		**10,966**		57,587
Equity				
Share capital (note 10(a))		**306,103**		306,103
Warrants (note 10(d))		**1,607**		1,607
Contributed surplus (note 10(e))		**106,395**		105,839
Equity component of convertible debentures (note 7(b))		**2,838**		2,838
Foreign currency translation reserve		**(35)**		(35)
Deficit		**(397,406)**		(365,191)
Total equity		**19,502**		51,161
Total liabilities and equity	**$**	**30,468**	$	108,748

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

Nature of business (note 1)
Going concern and basis of presentation (note 2(b))
Subsequent event (note 18)

PINETREE

Pinetree Capital Ltd.

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

	Year ended December 31, 2015	Year ended December 31, 2014
Net investment losses		
Net realized losses on disposal of investments	**$ (53,059)**	$ (410,515)
Net change in unrealized gains on investments (note 9(c))	**30,533**	376,885
	(22,526)	(33,630)
Other income (note 11)	**275**	858
	(22,251)	(32,772)
Expenses		
Operating, general and administrative (notes 9(a), 10(c) and 12)	**6,762**	8,395
Finance expenses (note 13)	**4,225**	16,800
	10,987	25,195
Loss before income taxes	**(33,238)**	(57,967)
Income tax (recovery) expense (note 8)	**(1,023)**	12,623
Net loss for the year	**(32,215)**	(70,590)
Other comprehensive income		
Items that will be reclassified subsequently to income		
Exchange differences on translation of foreign operations	**-**	1
Total comprehensive loss for the year	**$ (32,215)**	$ (70,589)
Loss per common share based on net loss for the year (note 10(f))		
Basic and diluted	**$ (0.16)**	$ (0.39)
Weighted average number of common shares outstanding (note 10(f))Basic and diluted	**201,929,155**	179,295,846

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

PINETREE

Pinetree Capital Ltd.
Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows provided by (used in) operating activities		
Net loss for the year	**$ (32,215)**	$ (70,590)
Items not affecting cash:		
Net realized losses on disposal of investments	**53,059**	410,515
Net change in unrealized gains on investments	**(30,533)**	(376,885)
(Gain) loss on purchase of convertible debentures under normal course issuer bid	**(3)**	130
Realized gain on retraction of Class C preferred shares	**(21)**	(1)
Impairment of fixed assets	**212**	380
Amortization	**16**	101
Stock-based compensation expense (note 10(c))	**556**	823
Accretion of discount on convertible debentures	**855**	10,674
Deferred tax assets	**-**	13,000
	(8,074)	(11,853)
Adjustments for:		
Proceeds on disposal of investments	**61,145**	130,360
Purchase of investments	**(4,771)**	(128,749)
Due from brokers	**1,010**	1,820
Prepaids and other receivables	**269**	20
Accounts payable and accrued liabilities	**(97)**	(29)
Income taxes payable	**(1,700)**	(298)
Net cash provided by (used in) operating activities	**47,782**	(8,729)
Cash flows used in investing activities		
Purchase of equipment	**-**	(34)
Net cash used in investing activities	**-**	(34)
Cash flows (used in) provided by financing activities		
Purchase of convertible debentures under normal course issuer bid	**(103)**	(5,152)
Proceeds from issue of share capital pursuant to private placements, net	**-**	13,915
Share issuance costs	**-**	(37)
Redemption of convertible debentures	**(45,000)**	-
Transaction costs for convertible debentures	**(555)**	-
Cash paid for retraction of Class C shares	**(1)**	-
Net cash (used in) provided by financing activities	**(45,659)**	8,726
Net increase (decrease) in cash and cash equivalents for the year	**2,123**	(37)
Exchange differences on translation of foreign operations	**-**	1
Cash and cash equivalents, beginning of year	**213**	249
Cash and cash equivalents, end of year	**$ 2,336**	$ 213
Supplemental cash flow information		
Dividends paid on Class C preferred shares	**$ 18**	$ 19
Finance expenses paid	**3,178**	5,968
Non-cash purchase of investments	**1,032**	7,998

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

PINETREE

Pinetree Capital Ltd.
Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars, except for number of shares)

	Number of shares	Share capital	Warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Deficit	Total equity
Balance, December 31, 2013	**152,141,070**	**$ 285,797**	**$ -**	**$ 105,016**	**$ 2,838**	**$ (36)**	**$ (294,601)**	**$ 99,014**
Net loss for the year	-	-	-	-	-	1	(70,590)	(70,589)
Total comprehensive loss for the year	-	-	-	-	-	-	(70,590)	(70,590)
Issued pursuant to acquisition of investments, net	17,636,856	7,998	-	-	-	-	-	7,998
Issued pursuant to private placement	30,819,672	12,480	1,520	-	-	-	-	14,000
Issued pursuant to finders' fees on private placement	1,331,557	512	87	-	-	-	-	599
Share issuance costs on private placements	-	(684)	-	-	-	-	-	(684)
Stock-based compensation expense	-	-	-	823	-	-	-	823
Balance, December 31, 2014	**201,929,155**	**306,103**	**1,607**	**105,839**	**2,838**	**(35)**	**(365,191)**	**51,161**
Net loss for the year	-	-	-	-	-	-	(32,215)	(32,215)
Total comprehensive loss for the year	-	-	-	-	-	-	(32,215)	(32,215)
Stock-based compensation expense	-	-	-	556	-	-	-	556
Balance, December 31, 2015	**201,929,155**	**$ 306,103**	**$ 1,607**	**$ 106,395**	**$ 2,838**	**$ (35)**	**$ (397,406)**	**$ 19,502**

The accompanying notes to the consolidated financial statements are an integral part of these 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 211 Yonge Street, Suite 502, Toronto, Ontario, Canada, M5B 1M4.

Pinetree is an 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 17, 2016.

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 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 Debentures due May 31, 2016 (the "Debentures") (note 7(b)) as this ability is dependent primarily on the future market performance of the Company's investment portfolio, which cannot be predicted. In addition, material uncertainty exists regarding the Company's ability to generate sufficient funds through disposition of its investments or through external financings to pay the principal amount of the Debentures and accrued interest due on maturity.

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

2. Basis of preparation (continued)

b) Going concern basis of presentation (continued)

Commencing October 31, 2014, the Company was in default of a restrictive debt covenant contained in the indenture (the "Debenture 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 Debenture Indenture when it was neither cured nor waived by that date. Following the occurrence of an Event of Default under the Debenture 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 Debenture Indenture or otherwise in respect of the existing Event of Default or a subsequent default of the Debenture Covenant until October 31, 2015, unless the Company breaches the forbearance agreement.

Under the terms of the forbearance agreement, among other things, the Company was required by July 31, 2015 to reduce the outstanding principal amount of the Debentures by $20,000 and was subject to a covenant that limited 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 satisfied its obligations under the forbearance agreement, including maintaining its month-end debt-to-assets ratio at no more than 33% commencing October 31, 2015, the effect of which was to cure the Event of Default.

The Company's ability to comply with the terms and conditions of the Debenture 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 and to pay the outstanding principal amount of and accrued interest on the Debentures at maturity.

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 remain in compliance with the Debenture Covenant when required to do so.

In addition, it is uncertain whether the Company could generate sufficient funds from proceeds of dispositions of its investments or from external financings to repay the total amount owing to Debentureholders upon maturity of the Debentures on May 31, 2016. The Company's access to capital will be dependent upon the performance of its investments over the time until the Debentures' maturity date and its ability to raise funds through equity-based transactions, factors which are outside of Pinetree's control. Paying off the Debentures may involve selling off the majority of the Company's publicly traded assets and may result in the Company's remaining portfolio being highly illiquid.

It is uncertain whether the Company could generate sufficient funds from proceeds of dispositions of its investments to repay the total amount owing to Debentureholders, if and when required to do so.

2. Basis of preparation (continued)

b) Going concern basis of presentation (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, 2015. 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.

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

2. Basis of preparation (continued)

c) Basis of consolidation (continued)

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

d) Critical accounting judgments, estimates and assumptions

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

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

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

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

(ii) Fair value of financial derivatives:

Investments in options and warrants that are not traded on a recognized securities exchange do not have a readily available market value. When there are sufficient and reliable observable market inputs, 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.

(iii) Convertible debentures:

The 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.

2. Basis of preparation (continued)

d) Critical accounting judgments, estimates and assumptions (continued)

(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 10(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 8 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. 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, the ability for the Company to pay the outstanding principal amount of and accrued interest on the Debentures at maturity 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.

(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.

3. Significant accounting policies (continued):

(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.

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

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):

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

(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 4).

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

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

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

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 4.

3. Significant accounting policies (continued):

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

(iv) Determination of fair values (continued):

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

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more of the valuation indicators described below. These are included in Level 3 in Note 4. Options and warrants of private companies are 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.

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.

3. Significant accounting policies (continued):

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

(iv) Determination of fair values (continued):

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

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

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. Significant accounting policies (continued):

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

(iv) Determination of fair values (continued):

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.

(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.

3. Significant accounting policies (continued):

(e) Equipment:

Equipment is 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	40% 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 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.

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 or 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) Offseting of financial instruments:

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

3. Significant accounting policies (continued):

(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.

(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 10(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) Loss per common share:

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

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

3. Significant accounting policies (continued):

(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) 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.

(o) 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.

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

3. Significant accounting policies (continued):

(p) 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. 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 liabilities either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

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

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

(a) Financial hierarchy (continued):

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

Investments	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Equities	$ 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	$ 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%

(i) As at December 31, 2015, included in total investments were securities of private companies with a fair value totaling $19,525 (cost of $35,662) (December 31, 2014 – fair value of $19,944 (cost of $36,245)) measured in accordance with the Company's accounting policy for private company investments.

(ii) There were no transfers from Level 2 to 1 during the year ended December 31, 2015. 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. The transfer out of level 2 to level 1 consists of restricted investments that became unrestricted during the year. There were no transfers from Level 1 to 2 during the years ended December 31, 2015 and 2014.

(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 gains (losses) are recognized in the consolidated statements of comprehensive (loss) income.

Investment at fair value	Opening balance at January 1	Purchases /loans	Proceeds	Net realized losses	Net unrealized losses	Transfer out of Level 3	Ending balance
December 31, 2015	$ 23,435	$ 769	$ (1,003)	$ (434)	$ (3,242)	$ -	$ 19,525
December 31, 2014	28,309	15,220	(2,322)	$ (179)	$ (11,983)	(5,610)	23,435

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.

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

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

(b) Level 3 hierarchy (continued):

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

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

	December 31, 2015			December 31, 2014		
Valuation technique		**Fair value**	**Unobservable inputs**		**Fair value**	**Unobservable inputs**
Recent financing	**$**	**9,889**	Transaction price	$	3,489	Transaction price
Trends in comparable publicly traded companies and general market conditions		**8,580**	Adjustment range (-80% to -12.5%)		16,455	Adjustment range (-68% to -10%)
Discounted cash flows		**1,056**	Discount rate (15% - 19%)		3,491	Discount rate (15% - 19%)
	$	**19,525**		$	23,435	

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, 2015 and December 31, 2014. For those investments valued based on trends in comparable publicly-traded companies and general market conditions, the inputs used can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- $2,145 (December 31, 2014: +/- $4,114) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

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

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

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

(c) Securities lending:

The Company 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 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. Effective February 13, 2015, the Company is contractually prohibited from lending its securities until it has satisfied its obligations in full in respect of the Debentures (see note 7(b)).

5. Financial assets other than investments at fair value

	As at December 31, 2015	As at December 31, 2014
Cash and cash equivalents	**$ 2,336**	$ 213
Due from brokers	**199**	1,209
Other receivables	**2**	335

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.

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

6. Equipment

	Computer equipment	Computer software	Leasehold improvements	Furniture and equipment	Total
Cost					
As at December 31, 2014	$ 146	$ 68	$ 1,587	$ 562	$ 2,363
Disposals	(6)	-	-	-	(6)
As at December 31, 2015	$ 140	$ 68	$ 1,587	$ 562	$ 2,357
Accumulated amortization					
As at December 31, 2014	$ 131	$ 49	$ 1,142	$ 433	$ 1,755
Disposals	(6)	-	-	-	(6)
Amortization	2	-	8	6	16
As at December 31, 2015	$ 127	$ 49	$ 1,150	$ 439	$ 1,765
Impairment					
As at December 31, 2014	$ 9	$ 3	$ 291	$ 77	$ 380
Change for the year	4	16	146	46	212
As at December 31, 2015	$ 13	$ 19	$ 437	$ 123	$ 592
Carrying amount					
December 31, 2014	$ 6	$ 16	$ 154	$ 52	$ 228
December 31, 2015	$ -	$ -	$ -	$ -	$ -

7. Financial liabilities

	As at December 31, 2015	As at December 31, 2014
Accounts payable and accrued liabilities (a)	**$ 1,250**	$ 1,367
Convertible debentures, due May 31, 2016 (b)	**9,716**	54,520
	$ 10,966	$ 55,887

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, 2015, included in accounts payable and accrued liabilities are Class C preferred share liabilities of $217 (December 31, 2014 - $239). The Class C preferred shares (“Class C Shares”) were issued in 2009 by Pinetree’s wholly-owned subsidiary, PCIC, are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 8% per annum. During the year ended December 31, 2015, $18 (2014 - $19) in dividends were declared and paid on the Class C Shares.

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

7. Financial liabilities (continued)

(a) (continued) 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, 2015, the redemption price was $10 per share and the retraction price in effect was $0.31 per share (December 31, 2014 - $0.62 per share). During the year ended December 31, 2015, 2,200 Class C Shares were cancelled by PCIC following their retraction by the holders at $0.62 per share plus accrued and unpaid dividends. During the year ended December 31, 2014, 100 Class C Shares were cancelled by PCIC following their retraction by the holder at $2.36 per share plus accrued and unpaid dividends. As at December 31, 2015, 21,700 Class C Shares (December 31, 2014 - 23,900 Class C Shares) were issued and outstanding.

As at December 31, 2015, also included in accounts payable and accrued liabilities is accrued interest payable of $78 (December 31, 2014 - $466) on the Debentures.

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

Principal		
Opening principal balance, December 31, 2013	$	60,864
NCIB purchase of convertible debentures		(6,042)
Ending principal balance, December 31, 2014		54,822
Redemptions and NCIB purchases of convertible debentures		(45,106)
Ending principal balance, December 31, 2015	**$**	**9,716**
Liability		
Opening liability balance, December 31, 2013	$	48,868
NCIB purchase of convertible debentures		(5,022)
Accretion of discount on the convertible debentures		10,674
Ending liability balance, December 31, 2014		54,520
Accretion of discount on the convertible debentures		855
Transaction costs for convertible debentures		(555)
Redemptions and NCIB purchases of convertible debentures		(45,104)
Ending liability balance, December 31, 2015	**$**	**9,716**
Equity component		
Opening equity component balance, December 31, 2013	$	2,838
No transactions		-
Ending equity component balance, December 31, 2014	**$**	**2,838**

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

7. Financial liabilities (continued)

(b) (continued)

Equity component		
Opening equity component balance, December 31, 2014	$	2,838
No transactions		-
Ending equity component balance, December 31, 2015	**$**	**2,838**

As at December 31, 2015, the fair value of the Debentures was $9,376 (December 31, 2014 - $42,761) based on the closing trade price of the Debentures, which are listed on the TSX under the symbol “PNP.DB” and is classified in the Level 2 fair value hierarchy.

The 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.

On January 23, 2015, the default of the Debenture Covenant became an “Event of Default” under the Debenture Indenture 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 agreed to refrain from exercising any rights or remedies that they may had under the Debenture 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 occurred. As a result of the agreement reached with Debentureholders:

- The Company's obligations in respect of the Debentures became secured by its consolidated assets.
- By July 31, 2015, the Company was required to reduce the aggregate principal amount of the outstanding Debentures by at least $20,000, an obligation that was satisfied during the year ended December 31, 2015.
- For the three month period of July through September 2015, the Company was subject to the Forbearance Covenant that limited its debt-to-assets ratio (as at month-end) to 50%, instead of the 33% ratio under the Debenture Covenant (which the Company would once again be required to comply with commencing October 2015). The Company successfully managed its debt-to-assets ratio below the 50% ratio during the period of July to September 2015.
- The Company is able to redeem the Debentures at par plus accrued interest, regardless of the trading price of the Company’s common shares.

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

If the Company breaches the Debenture Indenture, the principal amount of the Debentures (and accrued interest) could become immediately due and payable by Pinetree. It is uncertain whether the Company could generate sufficient funds from proceeds of dispositions of its investments to repay the total amount owing to Debentureholders, if and when required to do so.

In these circumstances, the liquidation value of the Company’s portfolio may be significantly less than its carrying value as at December 31, 2015.

7. Financial liabilities (continued)

(b) In addition, it is uncertain whether the Company could generate sufficient funds from proceeds of dispositions of its investments or from external financings to repay the total amount owing to Debentureholders upon maturity of the Debentures on May 31, 2016. The Company's access to capital will be dependent upon the performance of its investments over the time till the Debentures' maturity date and its ability to raise funds through equity-based transactions, factors which are outside of Pinetree's control. Paying off the Debentures may involve selling off the majority of the Company's publicly traded assets and may result in the Company's remaining portfolio being highly illiquid.

During the year ended December 31, 2015, the Company redeemed an aggregate of $45,000 principal amount of the Debentures in accordance with the terms of the Debenture Indenture, on a pro rata basis, at par, together with all accrued and unpaid interest thereon, for a total redemption amount equal to $46,004.

The Company renewed its normal course issuer bid ("NCIB") for the Debentures for the period of June 5, 2015 to June 4, 2016. In accordance with and subject to the rules of the TSX, the Company can purchase up to $3,460 principal amount of Debentures pursuant to the NCIB. During the year ended December 31, 2015, the Company bought back an aggregate of $106 principal amount of the Debentures under its NCIB at an average cost of 0.9739 of the par value for a total cash payment of $103. Included in other income for the year ended December 31, 2015 is a gain of $3 on the purchases of the Debentures under the NCIB.

As at December 31, 2015, an aggregate of $9,716 principal amount of Debentures were outstanding. On January 8, 2016 (the "Redemption Date"), the Company redeemed an aggregate of $3,000 principal amount of the Debentures, $2,000 of which was paid in cash and $1,000 of which was paid by the issuance of an aggregate of 24,201,355 common shares (the "Redemption Shares"). All accrued interest owing was paid in cash. An aggregate of $6,716 principal amount of the Debentures were outstanding following the redemption (note 18).

During the year ended December 31, 2014, the Company purchased and cancelled an aggregate of $6,042 principal amount of Debentures under its 2014 NCIB at an average cost of 0.8517 of the par value for total consideration of $5,152, including commission of $7. Included in finance expenses for the year ended December 31, 2014 is a loss of $130 on the purchases of the Debentures under the NCIB.

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

8. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2014 - 26.5%) to the effective tax rate is as follows

		2015		2014
Loss before income taxes	$	(33,238)	$	(57,967)
Expected income tax recovery		(8,808)		(15,361)
Difference in foreign tax rates		1		9
Tax rate changes and other adjustments		(4,798)		-
Non-deductible expenses		252		(337)
Unrealized foreign exchange		196		-
Non-taxable portion of capital losses		5,965		54,023
Expiration of Ontario transitional tax credits		-		2,696
Non-taxable portion of unrealized gain		(8,941)		(49,249)
Non-taxable loss on extinguishment and accretion of discount on convertible debentures		-		2,829
Change in tax benefits not recognized		15,110		18,013
Income tax (recovery) expense	$	(1,023)	$	12,623

The Company's income tax (recovery) expense is allocated as follows:

		2015		2014
Current tax recovery	$	(1,023)	$	(377)
Deferred tax expense		-		13,000
	$	(1,023)	$	12,623

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

		2015		2014
Equipment	$	561	$	-
Intangible asset		304		-
Share issuance costs		1,819		2,716
Non-capital losses carried forward		19,046		6,589
Net capital losses carried forward		297,898		208,266
Total deferred tax assets	$	319,628	$	217,571

The Canadian non-capital loss carry forwards expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2019. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom. The capital losses can be carried forward indefinitely. The non-capital losses will expire in 2035.

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

8. Income taxes (continued)

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

2033	$	5
2034		5,947
2035		13,094
	$	19,046

9. 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		2015		2014
Salaries, consulting fees and other benefits	Officers	**$**	**810**	$	1,029
Director fees (i)	Directors		**264**		119
Stock-based compensation expense	Directors and officers		**374**		598

(i) Non-management directors of the Company are entitled to remuneration for their services at rates approved by the board of directors. In addition, directors are reimbursed for reasonable travelling, hotel and other incidental expenses in respect of attending meetings of the directors.

(b) During the year ended December 31, 2015, the Company granted to directors and officers the following stock options:

Grant date	Options granted		Exercise price	Expiry date
March 31, 2015	1,650,000	$	0.16	March 30, 2020
May 29, 2015	550,000	$	0.08	May 28, 2020
August 31, 2015	150,000	$	0.08	August 30, 2020
November 30, 2015	4,120,000	$	0.05	November 29, 2020
Total granted	6,470,000			

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

Grant date	Options granted		Exercise price	Expiry date
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			

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

9. Related party transactions (continued)

(c) Investments in associates

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

		2015		**2014**
Investment at fair value	**$**	**9,742**	$	20,400
Cost of investments		**21,851**		39,629

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

		2015		**2014**
Net change in unrealized (losses) gains on investments	**$**	**(5,465)**	$	2,141
Interest earned on promissory notes		**1**		47

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

In August 2015, the Company provided $100 in debt financing to Latin American Minerals Inc. ("Latin"), a publicly traded company on the TSXV under the symbol "LAT", evidenced by a promissory note bearing interest at a rate of 12% per annum, with the principal and interest due on August 19, 2016. The financing was done in the normal course of the Company's investment activities. As at December 31, 2015, the promissory note had been repaid with accrued interest.

In July 2014, the Company acquired securities of Latin 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.

9. Related party transactions (continued)

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 a deemed value of $0.45 per share. The Sviral investment was undertaken in the normal course of the Company's investment activities.

In April 2014, the Company acquired securities of Mooncor Oil & Gas Corp. ("Mooncor"), an associate investee of Pinetree, at a total cost of $500, and issued 819,672 common shares of the Company to Mooncor for gross proceeds of $500 to Pinetree. The Mooncor investment was undertaken in the normal course of the Company's investment activities.

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 were undertaken in the normal course of the Company's investment activities.

10. Equity

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

As at December 31, 2015, the Company had 201,929,155 (December 31, 2014 - 201,929,155) common shares issued and outstanding.

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.

In July 2014, the Company issued 2,000,000 common shares in exchange for certain investments totaling $1,000.

In July 2014, the Company completed a non-brokered private placement of 6,666,667 common shares of the Company at a price of $0.45 per share resulting in aggregate gross proceeds to the Company of $3,000. The share issuance costs were $11.

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

10. Equity (continued)

(b) Stock options plan

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

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.

(c) Stock options

The following table summarizes stock options granted during the year ended December 31, 2015:

Date granted	Options granted	Exercisable price ($)	Expiry date
March 31, 2015	2,235,000	0.16	March 30, 2020
May 29, 2015	950,000	0.08	May 28, 2020
August 31, 2015	150,000	0.08	August 30, 2020
November 30, 2015	4,120,000	0.05	November 29, 2020
	7,455,000		

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

Date granted	Options granted	Exercisable price ($)	Expiry date
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
	7,310,000		

Stock options granted on March 31, 2015 vest four months from the grant date. Stock options granted on May 29, 2015 vest at the rate of 1/6th of the grant at the end of each three-month period over an 18-month period. Stock options granted on August 31, 2015 vest four months from the grant date. Stock options granted on November 30, 2015 vest at the rate of 1/6th of the grant at the end of each three-month period over an 18-month period. Stock options granted during the year ended December 31, 2014 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.

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

10. Equity (continued)

(c) Stock options (continued)

The fair value of the options granted during the year ended December 31, 2015 was estimated at the date of grant using the following weighted average assumptions:

Black-Scholes option valuation model assumptions used:

Expected volatility	75.36% - 79.91%
Expected dividend yield	0.0%
Risk-free interest rate	0.58% - 0.79%
Expected option life in years	3.4 - 5.0
Expected forfeiture rate	0% - 3.3%
Fair value per option granted on March 31, 2015	$0.07
Fair value per option granted on May 29, 2015	$0.05
Fair value per option granted on August 31, 2015	$0.05
Fair value per option granted on November 30, 2015	$0.03

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 option granted on March 31, 2014	$0.23
Fair value per option granted on May 30, 2014	$0.19
Fair value per option granted on August 29, 2014	$0.16
Fair value per option granted on November 28, 2014	$0.07

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, 2015, included in operating, general and administrative expenses is stock-based compensation of $556 (2014 - $823) relating to the stock options granted to directors, officers, employees, and consultants of the Company.

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

10. Equity (continued)

(c) Stock options (continued)

A summary of the status of the Company's stock options as at December 31, 2015 and December 31, 2014 and changes during the years then ended is presented below:

	Number of options	Weighted average exercise price per share
Balance, December 31, 2013	14,331,900	$ 1.36
Options granted	7,310,000	0.28
Options forfeited	(108,337)	0.53
Options expired	(3,557,653)	1.41
Balance, December 31, 2014	17,975,910	0.92
Options granted	7,455,000	0.09
Options forfeited	(4,830,000)	0.86
Options expired	(1,645,910)	1.78
Balance, December 31, 2015	18,955,000	$ 0.53

The following table summarizes information about stock options outstanding and exercisable as at December 31, 2015:

Number of stock outstanding	Number of stock options vested and exercisable	Exercisable price ($)	Expiry date
830,000	830,000	3.17	March 30, 2016
250,000	250,000	2.93	May 30, 2016
250,000	250,000	1.92	August 30, 2016
875,000	875,000	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
895,000	895,000	0.89	November 29, 2017
920,000	920,000	0.62	March 27, 2018
1,270,000	1,270,000	0.43	August 28, 2018
250,000	250,000	0.27	November 28, 2018
1,430,000	1,430,000	0.50	March 30, 2019
500,000	500,000	0.42	May 29, 2019
250,000	208,333	0.33	August 28, 2019
3,230,000	2,153,333	0.16	November 27, 2019
2,035,000	2,035,000	0.16	March 30, 2020
950,000	316,667	0.08	May 28, 2020
150,000	150,000	0.08	August 30, 2020
4,120,000	-	0.05	November 29, 2020
18,955,000	13,083,333		

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

10. Equity (continued)

(d) Warrants

A summary of the status of the Company's warrants as at December 31, 2015 and December 31, 2014 and changes during the years then ended is presented below:

	Number of warrants	Weighted average exercise price per share	Amount
Balance, December 31, 2013	-	$ -	$ -
Issued	12,332,451	0.75	1,607
Balance, December 31, 2014 and December 31, 2015	12,332,451	$ 0.75	$ 1,607

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

	Amount
Balance, December 31, 2013	$ 105,016
Stock-based compensation	823
Balance, December 31, 2014	105,839
Stock-based compensation	556
Balance, December 31, 2015	$ 106,395

Contributed surplus comprises of the following as at December 31, 2015 and December 31, 2014:

	December 31, 2015	December 31, 2014
Fair value of stock-based compensation	**$ 34,084**	$ 33,528
Fair value of expired warrants and broker warrants	**72,268**	72,268
Cancellation of shares under normal course issuer bid	**43**	43
	$ 106,395	$ 105,839

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

Numerator:	**2015**	**2014**
Net loss for the year	**$ (32,215)**	$ (70,590)

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

10. Equity (continued)

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

Denominator:	**2015**	**2014**
Weighted average number of common shares outstanding - basic	**201,929,155**	179,295,846
Weighted average effect of diluted convertible securities (i)	**-**	-
Weighted average number of common shares outstanding - diluted	**201,929,155**	179,295,846

Loss per common share based on net loss for the year	**2015**	**2014**
Basic and diluted	**$ (0.16)**	$ (0.39)

(i) The determination of the weighted average number of common shares outstanding – diluted excludes 263,522,295 shares related to convertible securities that were anti-dilutive for the year ended December 31, 2015 (2014 - 204,456,691).

(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, 2015 and December 31, 2014:

	December 31, 2015	**December 31, 2014**
Common shares outstanding	**201,929,155**	201,929,155
Stock options outstanding to purchase common shares	**18,955,000**	17,975,910
Warrants to purchase common shares	**12,332,451**	12,332,451
Debentures convertible to common shares (i)	**2,286,118**	12,899,294
Fully diluted common shares outstanding	**235,502,724**	245,136,810

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

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

11. Other income:

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

		2015		2014
Interest income	**$**	**55**	$	452
Income from sublease and service agreements		**135**		324
Dividend income		**82**		53
Income from securities lending		**-**		29
Gain on purchase of convertible debentures under normal course issuer bid		**3**		-
	$	**275**	$	858

12. Expense by nature

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

		2015		2014
Transaction costs	**$**	**478**	$	1,416
Salaries		**675**		2,226
Other office and general		**895**		664
Stock-based compensation expense		**556**		823
Operating lease payments		**529**		597
Consulting and directors' fees		**1,216**		574
Charge for assignment of lease (1)		**1,549**		-
Impairment of fixed assets (note 6)		**212**		380
Travel and other		**23**		491
Transfer agent, filing fees and other information systems		**288**		359
Professional fees		**373**		611
Other employee benefits		**119**		175
Amortization		**16**		101
Foreign exchange gain		**(167)**		(22)
	$	**6,762**	$	8,395

(1) During the year ended December 31, 2015, the Company entered into an agreement to assign the lease in respect of its head office (the "Lease Assignment") to an arm's length party (the "Assignee") effective as of February 1, 2016. In accordance with the Lease Assignment, the Company is required to pay an aggregate of $1,549 to the Assignee, $1,000 of which was paid and the remainder of which is payable on February 1, 2016 and July 4, 2016.

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

13. Finance expenses

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

		2015		2014
Accretion of discount and interest expense on convertible debentures	**$**	**4,204**	$	16,421
Interest expense		**21**		249
Loss on repurchase of convertible debentures		**-**		130
	$	**4,225**	$	16,800

14. Management of capital

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

		2015		2014
Convertible debentures	**$**	**9,716**	$	54,520
Equity comprises of:				
Share capital		**306,103**		306,103
Warrants		**1,607**		1,607
Contributed surplus		**106,395**		105,839
Equity component of convertible debentures		**2,838**		2,838
Foreign currency translation reserve		**(35)**		(35)
Deficit		**(397,406)**		(365,191)
	$	**29,218**	$	105,681

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets and the debt incurrence and maintenance covenants, among other covenants, to which it is subject in connection with the Debentures. Commencing October 31, 2014, the Company was in default of the Debenture Covenant, however, the Debentureholders agreed to refrain from exercising their rights in respect of the default until October 31, 2015, subject to the terms and conditions of the forbearance agreement entered into by the Company in February 2015. During the year ended December 31, 2015, the Company cured the Event of Default and was in compliance with the Debenture Covenant as at December 31, 2015.

The Company has changed its objectives in managing and maintaining capital during the year ended December 31, 2015 after the Event of Default was cured and the debt-to-assets ratio under the forbearance agreement no longer needed to be complied with. The Company is not subject to any capital requirements imposed by a regulator.

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 Debenture Indenture; 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.

14. Management of capital (continued)

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.

15. Risk management

Financial instrument risks:

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

(a) Liquidity risk:

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

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

The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments in addition to interest and dividend income earned on its investments. Pinetree invests significantly in securities of "junior" issuers, which can at times be relatively illiquid, and if the Company decides to dispose of securities of a particular issuer it may not be able to do so at the time at favourable prices, or at all. In addition, the amounts at which the Company's private company investments could be disposed of currently may differ from their carrying values since there is no active market to dispose of these investments.

There were no changes to the way that the Company manages liquidity risk since December 31, 2014. The Company's liquidity risk is limited to exposure to trade payables and interest and principal on the Debentures.

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

15. Risk management (continued)

(a) Liquidity risk (continued):

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

	Payments due by period				
Liabilities and obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and accrued liabilities	$ 1,172	$ 1,172	$ -	**$ -**	$ -
Convertible debentures	9,716	9,716	-	**-**	-
Interest on convertible debentures	78	78	-	**-**	-
	$ 10,966	$ 10,966	$ -	**$ -**	$ -

The following table shows the Company's 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.

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

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

15. Risk management (continued)

(a) Liquidity risk (continued):

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

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

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

				Payments due by period		
Assets		Total	Less than 1 year	1 - 3 years	4 - 5 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
Equipment		228	-	-	-	228
		$ 108,748	$ 88,043	$ 20,474	$ -	$ 231

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

15. Risk management (continued)

(b) Market risk

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

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

There were no changes to the way that the Company manages market risk since December 31, 2014. The Company manages market risk by having a portfolio that is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the junior resource industry, early stage technology sector and biotechnology sector.

The Company also has set a (cost) threshold on purchases of investments over which the approval of the board of directors is required. During periods of significantly broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2015 from a change in the closing trade price of the Company's investments with all other variables held constant as at December 31, 2015:

Percentage of change in closing trade price	**Decrease in loss from % increase in closing trade price**	**Increase in loss from % decrease in closing trade price**
2%	$ 306	$ (306)
4%	612	(612)
6%	917	(917)
8%	1,223	(1,223)
10%	1,529	(1,529)

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

15. Risk management (continued)

(b) Market risk (continued)

The following table shows the estimated sensitivity of the Company's after-tax profit 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	Increase in profit from % increase in closing trade price	Decrease in profit 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)

(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, 2015 and 2014, 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, 2014. 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.

There were no changes to the way that the Company manages currency risk since December 31, 2014. 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.

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

15. Risk management (continued)

(d) Currency risk (continued):

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

		2015		**2014**
Denominated in U.S. dollars:				
Investments	**$**	**11,248**	$	28,650
Cash and cash equivalents		**178**		12
Due from brokers		**36**		70
Accounts payable and accrued liabilities		**-**		(13)
Net assets denominated in U.S. dollars	**$**	**11,462**	$	28,719
Denominated in Australian dollars:				
Investments	**$**	**-**	$	19
Net assets denominated in Australian dollars	**$**	**-**	$	19
Denominated in British pounds:				
Investments	**$**	**248**	$	271
Net assets denominated in British pounds	**$**	**248**	$	271

The following table shows the estimated sensitivity of the Company's after-tax loss for the year ended December 31, 2015 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2015:

Percentage of change in U.S. dollar		**Decrease in loss from an increase in % in the U.S. dollar exchange rate**		**Increase in loss from a decrease in % in the U.S. dollar exchange rate**
2%	$	229	$	(229)
4%		458		(458)
6%		687		(687)
8%		916		(916)
10%		1,145		(1,145)

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

15. Risk management (continued)

(d) Currency risk (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 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)

(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, 2014.

As at December 31, 2015, the total fair value of the Company's investments in convertible debentures, convertible notes, and promissory notes was $1,056 (2014 - $4,274). The Company believes that it is not significantly exposed to credit risk, as these investments comprise 4.0% (2014 - 4.0%) of the Company's total investments.

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

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

Subject to board approval for investments in excess of a pre-determined threshold, there are no restrictions on the proportion of Pinetree's funds and no limit on the amount of funds that may be allocated to any particular investment, industry or sector. Accordingly, the Company's investment activities may be highly concentrated in a limited number of investments or industry sectors and the Company's financial results may be substantially adversely affected by the unfavourable performance in those investments or industry sectors.

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

16. Operating segment information

The management of the Company is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy and the performance is evaluated on an overall basis.

The Company has a single reportable geographic segment, Canada, and all of the Company's equipment is located in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the year ended December 31, 2015.

17. Future accounting changes

As at the date of authorization of these consolidated statements, the International Accounting Standards Board ("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 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 non-financial 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, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

17. Future accounting changes (continued)

(b) In July 2014, the IASB issued the final version of IFRS 9, 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.

18. Subsequent events

(1) On January 8, 2016, the Company partially redeemed $3,000 principal amount of its Debentures, $2,000 of which (and all accrued interest) was paid in cash and $1,000 of which was paid by the issuance of an aggregate of 24,201,355 common shares. An aggregate of $6,716 principal amount of the Debentures and 226,130,510 common shares were outstanding following the redemption.

The number of common shares issued under the redemption was based on a price per share of $0.04132, which was calculated in accordance with the terms of the Debentures as 95% of $0.04349 the volume weighted average trading price of Pinetree's common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date of redemption.

(2) Subsequent to December 31, 2015, the Company purchased an aggregate of $28 principal amount of the Debentures under its NCIB at an average cost of 0.97 of the par value for a total cash payment of $28.

(3) On March 9, 2016, the Company announced that it will be offering rights to holders of its common shares at the close of business on the record date of March 23, 2016, on the basis of one right for each common share held. Each right will entitle the holder to subscribe for one common share of Pinetree upon payment of the subscription price of $0.025 per common share. The rights will trade on the Toronto Stock Exchange under the symbol PNP.RT commencing on March 21, 2016 and until noon on April 22, 2016 and will expire at 4:00 p.m. (Toronto time) on April 22, 2016 (the "Expiry Time"), after which time unexercised rights will be void and of no value. Shareholders who fully exercise their rights are entitled to subscribe pro rata for additional common shares, if available as a result of unexercised rights prior to the Expiry Time.

18. Subsequent events (continued)

(3) If all of the rights are validly exercised under the rights offering, an aggregate of 226,130,510 common shares of Pinetree will be issued. If all of the rights issued under the rights offering are validly exercised (or if the standby commitment is fulfilled), the offering will raise gross proceeds of approximately $5.56 million, the net proceeds of which will be allocated to the payment of the outstanding principal amount and accrued interest on the Company's Debentures at maturity on May 31, 2016.

In connection with the rights offering, Pinetree has entered into a standby purchase agreement (the "Standby Agreement") with 2507492 Ontario Ltd. (the "Standby Purchaser"), a private company controlled by Peter Tolnai, pursuant to which the Standby Purchaser has agreed to purchase (the "Standby Commitment") all of the common shares that are not otherwise purchased by holders of the rights under the rights offering, subject to a minimum of 135,678,306 common shares (60% of the common shares issuable under the rights offering) and a maximum of 225,678,249 common shares (99.8% of the common shares issuable under the rights offering). Accordingly, if more than 40% of the rights are validly exercised under the rights offering, the Standby Purchaser will not be obligated to subscribe for any common shares pursuant to the Standby Commitment, and if the Standby Commitment is fulfilled, the Standby Purchaser will own between 30% and 49.9% of Pinetree's outstanding common shares upon completion of the rights offering.

The Standby Commitment is subject to other conditions, in addition to the minimum and maximum number of shares to be purchased, including:

- the appointment of Peter Tolnai as Pinetree's Chief Executive Officer and as a director upon closing;
- the resignations on closing of those existing directors of Pinetree, if any, requested by the Standby Purchaser;
- the submission of a 1-for-100 share consolidation to shareholders for approval at its upcoming annual and special meeting of shareholders (the "Shareholder Meeting"); and
- the waiver of the application of Pinetree's shareholder rights plan to the acquisition of common shares by the Standby Purchaser pursuant to the Standby Commitment.

Pinetree will pay a standby fee of $250 in cash to the Standby Purchaser on closing of the rights offering out of the proceeds of the rights offering, on the termination of the Standby Commitment by Pinetree if it accepts a "superior offer" or under other circumstances where the Standby Purchaser terminates the Standby Commitment, including if the minimum Standby Commitment is not met or the requisite shareholder consent is not received.

If the consulting agreement between the Company and Richard Patricio, the Company's President and Chief Executive Officer, is terminated in connection with the completion of the standby commitment, he will be entitled to compensation aggregating up to $680.

Special Shareholders' Meeting

At a Shareholder Meeting to be held on April 22, 2016, shareholders will be asked to approve a 1-for-100 share consolidation (which is also subject to the approval of the Toronto Stock Exchange) and the waiver of the application of Pinetree's shareholder rights plan. Details of the special business will be contained in the management information circular to be prepared in respect of the Shareholder Meeting which will be available on Pinetree's profile at www.sedar.com at a later date.