



**PINETREE CAPITAL LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018  
(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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**Notice To Reader**

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

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

# Pinetree Capital Ltd.

## Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

Unaudited

	As at September 30, 2018	As at December 31, 2017
<b>ASSETS</b>		
Cash and cash equivalents (note 4)	\$ 7,036	\$ 7,510
Due from brokers (note 4)	114	1,897
Investments at fair value (note 3)	9,567	9,268
Prepays and other receivables	44	22
Income taxes receivable	19	-
<b>Total assets</b>	<b>\$ 16,780</b>	<b>\$ 18,697</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	\$ 454	\$ 392
<b>Total liabilities</b>	<b>454</b>	<b>392</b>
<b>Equity</b>		
Share capital (note 7(a))	324,410	324,410
Contributed surplus	108,177	108,177
Foreign currency translation reserve	(35)	(35)
Deficit	(416,226)	(414,247)
<b>Total equity</b>	<b>16,326</b>	<b>18,305</b>
<b>Total liabilities and equity</b>	<b>\$ 16,780</b>	<b>\$ 18,697</b>

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

Nature of business (note 1)

Commitment (note 15)

**Approved on behalf of the Board:**

"Peter Tolnai", Director \_\_\_\_\_

"Howard Riback", Director \_\_\_\_\_



## Pinetree Capital Ltd.

### Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

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

Unaudited

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net investment gains (losses) (note 8)	\$ (2,503)	\$ 285	\$ (1,834)	\$ (1,090)
Other income (note 8)	80	24	201	619
	<b>(2,423)</b>	309	<b>(1,633)</b>	(471)
Expenses				
Operating, general and administrative (notes 6(a), and 9)	172	272	333	688
Finance expenses (note 10)	4	9	13	13
	<b>176</b>	281	<b>346</b>	701
Net income (loss) and comprehensive income (loss) for the period	\$ <b>(2,599)</b>	\$ 28	\$ <b>(1,979)</b>	\$ (1,172)
Income (loss) per common share based on net income (loss) for the period				
-Basic and diluted	\$ <b>(0.29)</b>	\$ 0.00	\$ <b>(0.22)</b>	\$ (0.19)
Weighted average number of common shares outstanding-Basic and diluted	<b>9,045,198</b>	9,045,198	<b>9,045,198</b>	6,063,265

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



# Pinetree Capital Ltd.

## Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

Unaudited

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
<b>Cash flows used in operating activities</b>		
Net loss for the period	\$ (1,979)	\$ (1,172)
Items not affecting cash:		
Net realized losses on disposal of investments (note 8)	5,513	2,467
Net change in unrealized gains (losses) on investments (note 8)	(3,679)	(1,377)
Stock-based compensation expense (note 7(d))	-	9
	(145)	184
Adjustments for:		
Proceeds on disposal of investments	1,516	309
Purchase of investments	(3,649)	(2,387)
Due from brokers	1,783	(1,590)
Prepays and other receivables	(22)	(30)
Income taxes receivable	19	-
Accounts payable and accrued liabilities	62	51
<b>Net cash used in operating activities</b>	<b>(474)</b>	<b>(3,720)</b>
<b>Cash flows provided by financing activities</b>		
Proceeds from issue of common shares pursuant to rights offering, net	-	9,381
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>9,381</b>
<b>Net (decrease) increase in cash and cash equivalents for the period</b>	<b>(474)</b>	<b>5,661</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>7,510</b>	<b>3,482</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 7,036</b>	<b>\$ 9,143</b>
<b>Supplemental cash flow information</b>		
Income taxes paid	\$ 19	\$ -
Finance expenses paid	13	-

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



## Pinetree Capital Ltd.

### Condensed Consolidated Interim Statements of Changes in Equity

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

Unaudited

	Number of shares	Share capital	Warrants	Contributed surplus	Equity component of convertible debentures	Foreign currency translation reserve	Deficit	Total equity
<b>Balance, December 31, 2016</b>	<b>4,522,599</b>	<b>\$ 315,029</b>	<b>\$ 1,607</b>	<b>\$ 106,561</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ (412,513)</b>	<b>\$ 10,649</b>
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(1,172)	(1,172)
Shares issued from rights offering	4,522,599	9,498	-	-	-	-	-	9,498
Transaction costs for rights offering	-	(117)	-	-	-	-	-	(117)
Stock-based compensation expense	-	-	-	9	-	-	-	9
Expiry of warrants	-	-	(1,607)	1,607	-	-	-	-
<b>Balance September 30, 2017</b>	<b>9,045,198</b>	<b>\$ 324,410</b>	<b>\$ -</b>	<b>\$ 108,177</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ (413,685)</b>	<b>\$ 18,867</b>
<b>Balance December 31, 2017</b>	<b>9,045,198</b>	<b>\$ 324,410</b>	<b>\$ -</b>	<b>\$ 108,177</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ (414,247)</b>	<b>\$ 18,305</b>
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(1,979)	(1,979)
<b>Balance, September 30, 2018</b>	<b>9,045,198</b>	<b>\$ 324,410</b>	<b>\$ -</b>	<b>\$ 108,177</b>	<b>\$ -</b>	<b>\$ (35)</b>	<b>\$ (416,226)</b>	<b>\$ 16,326</b>

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



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# Pinetree Capital Ltd.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

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### 1. Nature of business

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated in 1962 under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". The Company is domiciled in the Province of Ontario, Canada and its registered office address is at Unit 200, 1965 Queen Street East, Toronto, ON, M4L 1H9.

Pinetree is a value-oriented investment and merchant banking company focused on the technology sector.

These unaudited condensed consolidated interim financial statements were approved by the Company's board of directors on November 12, 2018.

### 2. Basis of preparation

#### a) Statement of compliance

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

The same accounting policies and methods of computation were followed in the preparation of these unaudited condensed consolidated interim statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended December 31, 2017. Accordingly, these unaudited condensed consolidated interim statements for the three and nine months ended September 30, 2018 and 2017 should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2017.

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

#### b) Basis of consolidation

These unaudited condensed consolidated interim 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.

#### c) Critical accounting judgments, estimates, and assumptions:

The preparation of the unaudited condensed consolidated interim 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 unaudited condensed consolidated interim statements and the reported amounts of revenue 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



## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

periods.

#### 2. Basis of preparation (continued)

The information about significant areas of estimation uncertainty and judgment considered by management in preparing the unaudited condensed consolidated interim statements were the same as those in the preparation of the annual financial statements as at and for the year ended December 31, 2017.

#### 3. Financial instruments hierarchy and investments at fair value

(a) Financial hierarchy:

Investments consist of the following as at September 30, 2018:

Investments	Cost	Level 1 Quoted market price	Level 2 valuation technique - observable market inputs	Level 3 Valuation technique - non- observable market inputs	Total fair value
Equities	\$ 45,492	\$ 5,814	\$ -	\$ 1,063	\$ 6,877
Debentures	2,495	2,690	-	-	2,690
Total investments	\$ 47,987	\$ 8,504	\$ -	\$ 1,063	\$ 9,567
Investments denominated in foreign currencies		\$ 4,219	\$ -	\$ 43	\$ 4,262
% of investments denominated in foreign currencies		50%	0%	4%	45%

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

Investments	Cost	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total fair value
Equities	\$ 47,774	\$ 4,237	\$ -	\$ 2,661	\$ 6,898
Warrants	200	-	20	-	20
Debentures	3,391	2,350	-	-	2,350
Total investments	\$ 51,365	\$ 6,587	\$ 20	\$ 2,661	\$ 9,268
Investments denominated in foreign currencies		\$ 923	\$ -	\$ 1,405	\$ 2,328
% of investments denominated in foreign currencies		14%	0%	53%	25%



## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

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

(b) Level 3 hierarchy:

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

	Opening balance at January 1,	Proceeds on dispositions	Net realized losses on dispositions	Net unrealized gains (losses)	Transfer out to Level 1	Ending balance
September 30, 2018	\$ 2,661	\$ (130)	\$ (2,665)	\$ 1,497	\$ (300)	\$ 1,063
December 31, 2017	2,822	(199)	(43)	(5)		2,661

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

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

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

Valuation technique	September 30, 2018		December 31, 2017	
	Fair value	Unobservable inputs	Fair value	Unobservable inputs
Recent financing and strategic review	\$ -	Transaction price and adjustments	\$ 1,323	Transaction price and adjustments
Trends in comparable publicly traded companies and general market conditions and strategic review	1,063		1,338	
	\$ 1,063		\$ 2,661	



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

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

(b) Level 3 hierarchy (continued):

For these Level 3 investments, the inputs used can be highly judgmental. A +/- 25% change on the fair value of these investments will result in a corresponding +/- \$266 (December 31, 2017 +/- \$665) change to the total fair value of the investments.

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.

### 4. Financial assets other than investments at fair value

	As at September 30, 2018	As at December 31, 2017
Cash and cash equivalents	\$ 7,036	\$ 7,510
Due from brokers	\$ 114	\$ 1,897
Income taxes receivable	\$ 19	\$ -

All amounts above are classified as financial assets at amortized cost and are short-term in nature.

### 5. Financial liabilities

	As at September 30, 2018	As at December 31, 2017
Accounts payable and accrued liabilities (a)	\$ 454	\$ 392

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



# Pinetree Capital Ltd.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

### 5. Financial liabilities (continued)

(a) As at September 30, 2018, included in accounts payable and accrued liabilities are Class C preferred share liabilities of \$213 (December 31, 2017 - \$213). The Class C preferred shares ("Class C Shares") were issued in 2009 by Pinetree's wholly-owned subsidiary, PCIC, are non-voting, redeemable and retractable at any time, and entitle the holders thereof to receive cumulative dividends at a rate of 8% per annum.

The Class C Shares' redemption and retraction prices are linked to the market price of the Company's common shares subject to a minimum redemption price of \$10 per share. As at September 30, 2018, the redemption price was \$10 per share and the retraction price in effect was \$0.11 per share (December 31, 2017 - \$0.13 per share). During the three and nine months ended September 30, 2018, no Class C shares were cancelled. During the year ended December 31, 2017, no Class C Shares were cancelled. As at September 30, 2018, 21,300 Class C Shares (December 31, 2017 - 21,300 Class C Shares) were issued and outstanding.

### 6. Related party transactions

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

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

Type of expense	Nature of relationship	Three months ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Salaries, consulting fees and other benefits	Officers	\$ -	\$ 28	\$ 48	\$ 85
Director fees (i)	Directors	9	9	26	26
		\$ 9	\$ 37	\$ 74	\$ 111

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

(b) Stock options granted

No stock options were granted to directors or officers during the nine months ended September 30, 2018 or year ended December 31, 2017.

### 7. Equity

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

As at September 30, 2018, the Company had 9,045,198 (December 31, 2017 – 9,045,198) common shares issued and outstanding.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

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#### 7. Equity (continued)

##### (b) Rights offerings

On May 12, 2017, the Company offered rights to holders of its common shares at the close of business on the record date of May 19, 2017, on the basis of one right for each common share held. Each right entitles the holder to subscribe for one common share of Pinetree upon payment of the subscription price of \$2.10 per common share. The rights started trading on the TSX under the symbol PNP.RT from May 17, 2017 and until noon on June 22, 2017 and expired at 5:00 p.m. (Toronto time) on June 22, 2017 (the "Expiry Time"), after which time unexercised rights were void and of no value. Shareholders who fully exercised their rights were entitled to subscribe pro rata for additional common shares, if available as a result of unexercised rights prior to the Expiry Time.

On June 29, 2017, the Company's shareholders exercised 4,522,599 rights for 4,522,599 common shares of Pinetree under the rights offering with gross proceeds of \$9,498. In accordance with the terms of the rights offering, 2507492 Ontario Ltd. ("250 Ontario"), a company controlled by Peter Tolnai, purchased 2,098,912 common shares of Pinetree at the same subscription price of \$2.10 per common share for gross proceeds to Pinetree of \$4,408. The Company incurred \$117 transaction costs in connection with the rights offering.

##### (c) Stock options plan

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

Under the terms of the 2007 Plan, the number of common shares that may be issued did not exceed 10% of the number of common shares outstanding at the time of grant. The exercise price of an option granted under the 2007 Plan was determined by the Board of Directors and could not be less than the closing price of the common shares on the TSX on the last trading day prior to the grant date of the option. The Board of Directors had the discretion to determine the term and vesting provisions (if any) of options granted under the 2007 Plan, provided that the option terms did not exceed 10 years.

##### (d) Stock options

No stock options were granted during the three and nine months ended June 30, 2018 or year ended December 31, 2017.

A summary of the status of the Company's stock options as at September 30, 2018 and December 31, 2017 and changes during the periods then ended is presented below:

Stock options	September 30, 2018		December 31, 2017	
	# of options	Weighted average exercise price	# of options	Weighted average exercise price
Outstanding and exercisable, at beginning of period	151,050	\$ 22.03	167,500	\$ 37.32
Expired	(21,900)	50.98	(16,450)	92.00



## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

Outstanding and exercisable, at end of period	129,150	\$ 17.12	151,050	\$ 22.03
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#### 8. Income

Net investment gains (losses) comprises of the following for the periods presented:

Net investment gains (losses)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net realized gains(losses) on disposal of investments	\$ (697)	\$ -	\$ (5,513)	\$ (2,467)
Net change in unrealized gains(losses) on investments	(1,806)	285	3,679	1,377
	\$ (2,503)	\$ 285	\$ (1,834)	\$ (1,090)

Other income comprises of the following for the periods presented:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Interest income	\$ 71	\$ 24	\$ 192	\$ 25
Dividend income	9	-	9	-
Other income (i)	-	-	-	594
	\$ 80	\$ 24	\$ 201	\$ 619

(i) Other income of \$594 in 2017 represents the amount received from the settlement agreement on a class action lawsuit with a company whose shares used to be in Pinetree's investment portfolio.

#### 9. Expense by nature

Included in operating, general and administrative expenses for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Professional fees	\$ 85	\$ 77	\$ 136	\$ 131
Office and general	67	85	110	236
Transfer agent, filing fees and other info systems	(4)	10	95	83
Consulting and directors' fees	8	36	74	114
Transaction costs	14	-	14	6
Travel and other	-	-	2	4
Other employee benefits	1	1	1	2
Stock-based compensation expense	-	-	-	9
Foreign exchange loss (gain)	1	63	(99)	103
Professional fees	\$ 172	\$ 272	\$ 333	\$ 688



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## **Pinetree Capital Ltd.**

### **Notes to Condensed Consolidated Interim Financial Statements**

**Three and Nine Months Ended September 30, 2018**

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

**Unaudited**

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#### **10. Finance expense**

Finance expense is comprised of interest and dividend expense for the three and nine months ended September 30, 2018 and 2017:

#### **11. Management of capital**

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets and liabilities. There were no changes to the Company's objectives in managing and maintaining capital during the three and nine months ended September 30, 2018 and 2017. The Company is not subject to any capital requirements imposed by a regulator.

The Company's objectives when managing capital are:

- (a) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- (b) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (c) to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk.

The Company is meeting its objective of managing capital through detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no changes in its approach to capital management during the three and nine months ended September 30, 2018 and 2017.

#### **12. Risk management**

Financial instrument risks:

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

##### **(a) 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. A 10% change in closing trade price of the Company's investments would impact net income by \$850 based upon balances as at September 30, 2018.



## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

#### 12. Risk management (continued)

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

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the operating results of the Company. As at September 30, 2018, the Company's top five investments had a fair value of \$6,447 in the technology sector, representing 67% of the fair value of the Company's total portfolio, of which all are public companies. As at December 31, 2017, the Company's top five investments had a fair value of \$5,506 in the technology and resources sectors, representing 54%, and 5% of the fair value of the Company's total portfolio, of which three were public companies and two were private companies.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and investments. As at September 30, 2018, the Company was holding cash and monies at deposit in brokers accounts of \$7,150 and investments of \$9,567 (December 31, 2017 - \$9,407 and \$9,268, respectively).

The following table shows the Company's contractual undiscounted cash flows which are payable under financial liabilities on the unaudited condensed consolidated interim statement of financial position as at September 30, 2018.

Liabilities and obligations	Payments due by period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 454	\$ 454	\$ -	\$ -	\$ -
	\$ 454	\$ 454	\$ -	\$ -	\$ -

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, 2017.

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



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

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#### 12. Risk management (continued)

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time.

The Company may have financial instruments denominated in U.S. dollars, Australian dollars and British pounds. A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the Company's obligations due to brokers and increase or decrease the value of its financial instruments.

There were no changes to the way that the Company manages currency risk since December 31, 2017. The Company believes that it is exposed to foreign exchange risk (U.S. dollar) but does not actively hedge its foreign currency exposure although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments. A 1% change in the US dollar exchange rate impacts net income by \$34 at September 30, 2018.

The following assets and liabilities were denominated in foreign currencies as at the following dates:

	September 30, 2018	December 31, 2017
Net assets denominated in U.S. dollars	\$ 3,448	\$ 4,364
Net assets denominated in GBP	635	-
Net assets denominated in Australian dollars	241	196
	<b>\$ 4,324</b>	<b>\$ 4,560</b>

(e) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash and investments affected by changes in short term interest rates will be minimal. A 1% change in interest rates impacts net income by \$70 based upon balances at September 30, 2018. There were no changes to the way that the Company manages interest rate risk since December 31, 2017. Pinetree does not hedge against any interest rate risk.

#### 13. 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 nine months ended September 30, 2018.



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## Pinetree Capital Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2018

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

Unaudited

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#### 14. New accounting changes

As at the date of authorization of these unaudited condensed consolidated interim financial 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 unaudited condensed consolidated interim financial statements of the Company. The Company intends to adopt below standard, if applicable, when the standard becomes effective:

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 adoption of the new standard did not have a material impact on the financial statements of the Company.

#### 15. Commitment

Under the terms of commercial occupancy leases the Company is committed to pay \$21 in 2018 which can be renewed annually.

