



PINETREE CAPITAL LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED: DECEMBER 31, 2019

DATE OF REPORT: FEBRUARY 28, 2020

This management's discussion and analysis ("MD&A") of the financial condition and results of operation of Pinetree Capital Ltd. ("Pinetree" or the "Company") should be read in conjunction with Pinetree's consolidated financial statements and notes thereto as at and for the year ended December 31, 2019.

Except as otherwise indicated (see "Use of Non-IFRS Financial Measures" elsewhere in this MD&A), all financial data in this MD&A has been prepared, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar amounts in this MD&A are reported in thousands of Canadian dollars except per share amounts.

Some of the risks, uncertainties and other factors which could cause results to differ materially from those expressed in this MD&A include, but are not limited to: the nature of the Company's investments; the concentration of its investments in certain industries and sectors; the Company's dependence on its management team; risks affecting the Company's investments; Global, political and economic conditions; issuer-specific events that affect a company's market value; and other risks and factors discussed elsewhere in this MD&A under the heading "Risk Factors" and in the Company's current Annual Information Form ("AIF") and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under Pinetree's profile at www.sedar.com. These risk factors are unpredictable and outside the Company's control, and may affect the future value of the Company's investment portfolio as well as the prices at which investments may be disposed of. Adverse changes in these conditions would negatively impact the Company's ability to remain in compliance with its contractual obligations and generate working capital to fund its ongoing requirements.



1. About Pinetree

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

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

2. Overall Performance

Pinetree's objective is to maximize shareholder value. While the following metrics do not present as comprehensive a picture as our audited financial statements, we believe the Company's Book Value Per Share ("BVPS") and Operating Expenses excluding foreign exchange gain or loss ("OpEx") as a percentage of book value are important in assessing management's success in maximizing shareholder value (see "Use of Non-IFRS Financial Measures" elsewhere in this MD&A).

| | Shares Outstanding | Book Value (BV) ¹ \$000's | OpEx ¹ (excluding F/X gain/loss) ² \$000's | Book Value per share (BVPS) ¹ \$ | Quarterly OpEx as percentage of BV ¹ |
|------------|--------------------|---|---|--|---|
| Dec-31-19 | 9,045,198 | 17,898 | 155 | 1.98 | 0.9% |
| Sep-30-19 | 9,045,198 | 17,295 | 80 | 1.91 | 0.5 % |
| Jun-30-19 | 9,045,198 | 17,350 | 118 | 1.92 | 0.7 % |
| Mar-31-19 | 9,045,198 | 17,106 | 119 | 1.89 | 0.7 % |
| Dec-31-18 | 9,045,198 | 15,980 | 103 | 1.77 | 0.6 % |
| Sept-30-18 | 9,045,198 | 16,326 | 171 | 1.80 | 1.0 % |
| Jun-30-18 | 9,045,198 | 18,925 | 121 | 2.09 | 0.6 % |
| Mar-31-18 | 9,045,198 | 18,639 | 139 | 2.06 | 0.7 % |

¹ Refer to "Use of Non-IFRS Financial Measures"

Shares Outstanding and Book Value amounts are as at the Quarter End date

Operating Expenses amounts are for the Three months ending the Quarter End date

² Operating Expenses do not include Foreign Exchange gain (loss) on financial assets other than investments

Investments and Operating Results

As at December 31, 2019, Pinetree's BVPS was \$1.98 as compared to \$1.77 as at December 31, 2018. This represents an increase of \$0.21 or 12%. The increase was primarily attributable to net investment gains, net dispositions in the investment portfolio, and other income from dividends and interest which out-paced the Company's expenses during the period.

As at December 31, 2019, the Company held investments at fair value totaling \$10,105, which represented 56% of book value. This compares to investments at fair value of \$8,969 representing 56% of book value as at December 31, 2018.

Earnings per share for the three months ended December 31, 2019 was \$0.07 as compared to a loss per share of \$0.04 for the three months ended December 31, 2018. Earnings per share for the twelve months ended December 31, 2019 was \$0.21 as compared to a loss of \$0.26 for the twelve months ended December 31, 2018.

Capital Management and Expenses

During the period ended December 31, 2019, the Company continued to take a disciplined approach to capital allocation and OpEx control. OpEx for the twelve months ended December 31, 2019 was \$472 which corresponds to 2.6% of book value as at December 31, 2019. This compares to OpEx of \$534 for the twelve months ended December 31, 2018 which corresponds to 3.3% of book value as at December 31, 2018. Since expenses fluctuate from quarter to quarter, management monitors costs on a trailing twelve month basis.

3. Summary of Investment Portfolio

The following information regarding the portfolio is historical as at the dates indicated and may change due to the ongoing investment activities of the Company, in addition to fluctuations in the fair values of investments. The fair value of investments have been measured in accordance with the Company's accounting policy and the amounts at which the Company's investments could be disposed of currently may differ from their carrying values for a variety of reasons discussed in Risk Factors below. Refer to Note 3 of the Notes to the annual financial statements for the year ended December 31, 2019 for additional details about the Company's investments and accounting policy.

The portfolio consists of investments, cash, cash equivalents, and cash due from brokers. The fair value of individual positions as a percentage of portfolio assets is used by management to monitor concentration, exposure and other factors.

In 2016, Pinetree underwent a management and board change. The new management team reviewed the legacy portfolio and started making new investments in 2017. The following is information pertaining to the constitution of the portfolio.

Portfolio Assets

As at December 31, 2019, the portfolio consists of the following:

| Portfolio assets by investment type | Number of positions | Cost \$000's | Total fair value \$000's | Percentage of portfolio assets |
|--|---------------------|--------------|--------------------------|--------------------------------|
| Equities - Public (new) | 9 | 6,715 | 6,928 | 38% |
| Equities - Public (legacy) | 3 | 156 | 29 | 0% |
| Equities - Private | 3 | 2,250 | 347 | 2% |
| Legacy positions with a fair value of zero | 21 | 13,338 | 0 | 0% |
| Equity investments | 36 | 22,458 | 7,304 | 40% |
| Cash and cash equivalents, due from brokers and debentures | | | 10,852 | 60% |
| Total portfolio assets | | | 18,156 | 100% |

As at December 31, 2018, the portfolio consisted of the following:

| Portfolio assets by investment type | Number of positions | Cost \$000's | Total fair value \$000's | Percentage of portfolio assets |
|--|---------------------|--------------|--------------------------|--------------------------------|
| Equities - Public (new) | 13 | 5,995 | 5,234 | 32% |
| Equities - Public (legacy) | 3 | 10,650 | 453 | 3% |
| Equities - Private | 5 | 3,269 | 714 | 4% |
| Legacy positions with a fair value of zero | 50 | 25,473 | 0 | 0% |
| Equity investments | 71 | 45,387 | 6,401 | 39% |
| Cash and cash equivalents, due from brokers and debentures | | | 9,893 | 61% |
| Total portfolio assets | | | 16,295 | 100% |

At December 31, 2019, the Company still held 27 legacy investments: 3 which are public but restricted, 3 which are private and 21 which have been evaluated as having a fair value of zero. This compares to 58 legacy investments at December 31, 2018: 3 public, 5 private and 50 evaluated as having a fair value of zero. A large number of the legacy investments were sold or written off during the year which generated a significant portion of the \$21,927 net realized loss for the year ended December 31, 2019. Management will continue to divest these legacy assets if and when appropriate which will result in additional realized capital losses.

Asset Allocation by Currency

| Portfolio assets by currency | As at December 31, 2019 | | As at December 31, 2018 | |
|------------------------------|--------------------------|--------------------------------|--------------------------|--------------------------------|
| | Total fair value \$000's | Percentage of portfolio assets | Total fair value \$000's | Percentage of portfolio assets |
| Canadian dollar | 11,995 | 66% | 10,828 | 66% |
| United States dollar | 4,709 | 26% | 4,594 | 28% |
| Other | 1,452 | 8% | 872 | 5% |
| Total portfolio assets | 18,156 | 100% | 16,294 | 100% |

When considering currency in which assets are held or investments are made, management does not set restrictions or target allocations relative to the overall portfolio. At December 31, 2019, most of Pinetree's portfolio assets were held in Canadian dollars with US dollars also representing a significant portion. The assets held in other currencies were denominated in GBP and Euros (at December 31, 2018 - GBP, AUD and SEK).

Additional Comments

As at December 31, 2019, Pinetree held investments made by current management plus cash and equivalents (including due from brokers) with a combined fair value of \$17,779 (December 31, 2018 – fair value of \$15,128). These securities and cash represent 99% of the company's current book value (95% as at December 31, 2018), as follows:

| | Dec 31, 2019 | Dec 31, 2018 | Dec 31, 2017 |
|--|--------------|--------------|--------------|
| Investments made after January 1, 2017 | \$ 9,728 | \$ 7,802 | \$ 4,999 |
| Cash and cash equivalents and due from brokers | 8,051 | 7,326 | 9,407 |
| | \$ 17,779 | \$ 15,128 | \$ 14,406 |
| Percentage of book value | 99% | 95% | 79% |

Since a point has been reached where the vast majority of cash and investments are under the new management's control, the above information will not be relevant going forward and will no longer be reported beginning in the first quarter of 2020. The future increase or decrease in BVPS now rests entirely on the new management team's shoulders.

4. Results of Operations

Highlights of the consolidated financial statements for the three most recently completed fiscal years are as follows:

| (\$ in thousands except per share amounts) | Year ended December 31, 2019 | Year ended December 31, 2018 | Year ended December 31, 2017 |
|---|------------------------------|------------------------------|------------------------------|
| Net investment gains (losses) | 2,137 | (2,164) | (1,482) |
| Dividend income | 63 | 15 | - |
| Interest income | 289 | 260 | 71 |
| Revenue and other income | 2,489 | (1,889) | (817) |
| Net income (loss) | 1,918 | (2,360) | (1,734) |
| Comprehensive income (loss) | 1,918 | (2,325) | (1,734) |
| Earnings (loss) per share - basic and diluted | 0.21 | (0.26) | (0.25) |
| Total assets | 18,227 | 16,375 | 18,697 |
| Total liabilities | 329 | 395 | 392 |
| Book value per share | 1.98 | 1.77 | 2.02 |

Selected quarterly results for the eight most recently completed interim financial periods are as follows:

| (\$, in thousands except per share amounts) | Quarter ended (unaudited) | | | | | | | |
|---|---------------------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|
| | Dec 31, 2019 | Sept 30, 2019 | Jun 30, 2019 | Mar 31, 2019 | Dec 31, 2018 | Sept 30, 2018 | Jun 30, 2018 | Mar 31, 2018 |
| Revenue and other income | 792 | 28 | 396 | 1,273 | (330) | (2,423) | 372 | 366 |
| Net income (loss) | 603 | (55) | 244 | 1,126 | (381) | (2,599) | 286 | 334 |
| Comprehensive income (loss) | 603 | (55) | 244 | 1,126 | (346) | (2,599) | 286 | 334 |
| Earnings (loss) per share - basic and diluted | 0.07 | (0.01) | 0.03 | 0.12 | (0.04) | (0.29) | 0.03 | 0.04 |

As seen in the table above, Pinetree's results can fluctuate significantly from quarter to quarter. Under IFRS, realized and unrealized gains and losses on investments are recorded in "revenue" on the consolidated statements of earnings. Management does not believe that quarterly fluctuations in the stock prices of investee companies necessarily reflect a change in the value of the underlying businesses. The value of the businesses is often more stable than their stock prices. In fact, these fluctuations can provide an opportunity to invest more capital in attractively priced investments or realize gains on securities management believes are over-valued.

Three Months Ended December 31, 2019 and 2018

| Net investment gains (losses) | Three months ended December 31, | |
|--|---------------------------------|----------|
| | 2019 | 2018 |
| Net realized gains (losses) on disposal of investments | \$ (2,595) | \$ 163 |
| Net change in unrealized gains (losses) on investments | 3,291 | (493) |
| | \$ 696 | \$ (330) |

The realized losses were primarily from legacy investments with little or no value but included some realized losses on new investments as well. These were partially offset by realized gains on new investments. The net change in unrealized gains were primarily from the reversal of previously recognized net unrealized losses on the disposition of investments and the net write-up to market on the Company's investments.

For the three months ended December 31, 2019, other income totalled \$96 (three months ended December 31, 2018 - \$74). Other income is comprised of interest and dividend income of \$78 and \$18, respectively (three months ended December 31, 2018 – interest and dividend income of \$68 and \$6, respectively).

A breakdown of operating, general and administrative expenses for the three month periods ended December 31, of 2019 and 2018 is set out below. Details of the change between periods follow the table:

| | 2019 | 2018 |
|--|--------|--------|
| Professional fees | \$ 67 | \$ 10 |
| Office and general | 45 | 73 |
| Transfer agent, filing fees and other info systems | 7 | 18 |
| Consulting and directors' fees | 28 | (16) |
| Transaction costs | 8 | 14 |
| Travel and other | - | 3 |
| Foreign exchange loss (gain) | 30 | 19 |
| | \$ 185 | \$ 121 |

The overall increase in operating, general and administrative expenses of \$64 was primarily due to an increase of professional fees during the quarter.

Twelve Months Ended December 31, 2019 and 2018

| Net investment gains (losses) | Twelve months ended December 31, | |
|--|-------------------------------------|------------|
| | 2019 | 2018 |
| Net realized gains (losses) on disposal of investments | \$ (21,927) | \$ (5,350) |
| Net change in unrealized gains (losses) on investments | 24,064 | 3,186 |
| | \$ 2,137 | \$ (2,164) |

The realized losses were primarily from legacy investments with little or no value but included some realized losses on new investments as well. These were partially offset by net realized gains on new investments. The net change in unrealized gains were from the reversal of previously recognized net unrealized losses on the disposition of investments and the net write-up to market on the Company's investments.

For the twelve months ended December 31, 2019, other income totalled \$352 (twelve months ended December 31, 2018 - \$275). Other income is comprised of interest and dividend income of \$289 and \$63, respectively (twelve months ended December 31, 2018 – interest and dividend income of \$260 and \$15, respectively).

A breakdown of operating, general and administrative expenses for the years ended December 31, of 2019 and 2018 is set out below. Details of the changes between periods follow the table:

| | 2019 | 2018 |
|--|--------|--------|
| Professional fees | \$ 97 | \$ 146 |
| Office and general | 176 | 184 |
| Transfer agent, filing fees and other info systems | 103 | 113 |
| Consulting and directors' fees | 79 | 60 |
| Transaction costs | 19 | 28 |
| Travel | - | 3 |
| Foreign exchange loss (gain) | 89 | (80) |
| | \$ 563 | \$ 454 |

During the year ended December 31, 2019, the Company continued to manage expenses carefully. Operating expenses excluding foreign exchange gain or loss ("OpEx") for the twelve months ended December 31, 2019 was \$472 which corresponds to 2.6% of book value as at December 31, 2019. This compares to OpEx of \$534 for the twelve months ended December 31, 2018 which corresponds to 3.3% of book value as at December 31, 2018. The decrease was primarily due to lower professional fees. Since expenses fluctuate from quarter to quarter, costs are primarily managed on a trailing twelve month basis.

5. Cash Flow

Net cash used in operating activities was \$1,044 during the year ended December 31, 2019 as compared to \$474 during the year ended December 31, 2018. During the year ended December 31, 2019, the Company had proceeds from disposition of investments of \$7,031, a increase of \$4,687, when compared to \$2,344 during the year ended December 31, 2018. During the year ended December 31, 2019 the Company purchased \$6,096 of investments, an increase of \$1,887 as compared to \$4,209 of investments purchased during the year ended December 31, 2019.

For the year ended December 31, 2019, the Company had a net decrease in cash and cash equivalents of \$1,044 as compared to \$295 for the year ended December 31, 2018, leaving a cash and cash equivalents balance of \$6,206 as at December 31, 2019, as compared to \$7,250 as at December 31, 2018.

6. Liquidity and Capital Resources

| Consolidated Statements of Financial Position Highlights | December 31, 2019 | December 31, 2018 |
|---|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 6,206 | \$ 7,250 |
| Investments at fair value | 10,105 | 8,969 |
| Total assets | 18,227 | 16,375 |
| Total liabilities | 329 | 395 |
| Share capital, contributed surplus and foreign currency translation reserve | 432,587 | 432,587 |
| Deficit | (414,689) | (416,607) |
| BV per share ⁽ⁱ⁾ | \$ 1.98 | \$ 1.77 |

⁽ⁱ⁾ See Use of Non-IFRS Financial Measures elsewhere in this MD&A

Pinetree relies upon various sources of funds for its ongoing operating and investing activities. These sources include proceeds from dispositions of investments, interest and dividend income from investments and capital raising activities such as equity financings.

In order for the Company to complete additional portfolio investments in the future, it may require additional equity and/or debt capital. Accordingly, the Company may complete one or more equity and/or debt financing transactions during the next 12 to 24 months. Such financing transactions, if consummated, are most likely to be completed on a prospectus-exempt basis.

7. Liabilities

As at December 31, 2019, the carrying value of total liabilities was \$329 as compared to \$395 as at December 31, 2018, a decrease mainly attributable to the payment of accrued liabilities during the period ended December 31, 2019. The Company continues to have no long-term debt and its cash and investments as at December 31, 2019 would be sufficient to meet the Company's current liabilities.

As at December 31, 2019, accounts payable and accrued liabilities include Class C preferred share liabilities of \$211 (December 31, 2018 - \$213). The Class C preferred shares ("Class C Shares") which are part of the share capital of Pinetree Capital Investment Corp. ("PCIC"), one of the Company's subsidiaries, 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, payable semi-annually.

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, 2019, the redemption price was \$10 per share and the retraction price in effect was \$0.07 per share (December 31, 2018 - \$0.07 per share). During the year ended December 31, 2019, 200 of the Class C shares were cancelled by PCIC following their retraction by the holder at approximately \$0.07 per share plus accrued and unpaid dividends. During the year ended December 31, 2018, none of the Class C shares were cancelled by PCIC. As at December 31, 2019, 21,100 Class C Shares (December 31, 2018 - 21,300 Class C Shares) were issued and outstanding.

As at December 31, 2019, also included in accounts payable and accrued liabilities is \$15 for the winding down of its wholly owned inactive subsidiaries in Barbados.

8. Commitments

As at December 31, 2019, the Company had material commitments for cash resources of \$329 (December 31, 2018 - \$395), a decrease of \$66. The Company's cash and cash equivalents balance is sufficient to pay these material commitments.

As at December 31, 2019, included in accounts payable and accrued liabilities are \$211 of Class C Shares (December 31, 2018 - \$213). The Class C Shares are redeemable and retractable at any time.

In addition, under the terms of commercial occupancy lease, the Company is committed to pay \$23 in 2020 which can be renewed annually.

9. Related Party Transactions

All transactions with related parties have occurred in the normal course of operations. Related party transactions included in the statement of comprehensive loss were as follows during the years ended December 31:

| Type of expense | Nature of relationship | 2019 | 2018 |
|--|------------------------|-------|-------|
| Salaries, consulting fees and other benefits | Officers | \$ 16 | \$ 26 |
| Director fees (i) | Directors | 34 | 34 |
| | | \$ 50 | \$ 60 |

- (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.

10. Segmented 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, 2019.

11. Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of Pinetree.

12. Internal Controls over Financial Reporting

Disclosure Controls and Procedures

The Company is required to review and report on the effectiveness of its disclosure controls and procedures ("DC&P") in accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", ("NI 52-109") issued by the Canadian Securities Administrators. NI 52-109 requires a Chief Executive Officer ("CEO") and a Chief Financial Officer ("CFO") to certify that they are responsible for establishing and maintaining DC&P for the issuer, that DC&P have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's DC&P, and that their conclusions about the effectiveness of those DC&P at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

The CEO and CFO have evaluated the design of the Company's DC&P as at December 31, 2019 and have concluded that the DC&P were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. In addition, the design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Accordingly, the Company's DC&P are effective in providing reasonable, not absolute, assurance that the objectives of our disclosure control system have been met.

Internal Controls over Financial Reporting

NI 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR") for the issuer, that the ICFR have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its ICFR.

The design and operating effectiveness of the Company's ICFR were evaluated by the CEO and CFO in accordance with criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and NI 52-109, as at December 31, 2019. The CEO and CFO have evaluated the ICFR as at December 31, 2019. The CEO and CFO have not identified in their review any weaknesses that have materially affected or are reasonably likely to materially affect Pinetree's ICFR. Based on this evaluation, the CEO and CFO have concluded that the Company's ICFR were effective in providing reasonable assurance that its financial reporting is reliable and its consolidated financial statements were prepared in accordance with IFRS.

There were no changes in the Company's ICFR that occurred during the three months ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

13. Management of Capital

There were no changes in the Company's approach to capital management during the year ended December 31, 2019. The Company's capital includes all components of equity which amounts to \$17,898 as at December 31, 2019 (December 31, 2018 - \$15,980). To date, the Company has not declared any cash dividends on its common shares to its shareholders as part of its capital management program. The Company's current capital resources are sufficient to discharge its outstanding liabilities as at December 31, 2019.

14. Risk Factors

The Company's investing activities are, by their nature, subject to a number of inherent risks, including liquidity, market, interest rate, currency and credit risks associated with financial instruments, and certain other risks that are described in our annual information form for our most recently completed financial year, all of which can have, and have had over recent reporting periods, a significant impact on the Company's financial condition and results of operations. Stock market volatility has resulted in and may continue to result in increased market risk and losses within our investment portfolio.

Some risks are described below. Additional risks not currently known to the Company, or that the Company currently believe to be immaterial, may also affect and negatively impact the Company's business.

(a) Portfolio exposure:

Given the nature of the Company's activities, its results of operations and financial condition are dependent upon the market value of the securities that comprise the Company's portfolio. Market value can be reflective of the actual or anticipated operating results of our portfolio companies and/or the general market conditions that affect the sectors in which Pinetree invests. The Company's investment activities are currently concentrated primarily in the technology industry. There are various factors that could have a negative impact on Pinetree's portfolio companies and thereby have an adverse effect on our business. Additionally, a portion of Pinetree's investments are in small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows but which may not ever mature or generate the returns the Company expects or may require a number of years to do so. These companies may never achieve success. This may create an irregular pattern in the Company's revenues (if any). Macro factors such as global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, thereby negatively impacting one or more of the portfolio companies concurrently. Company-specific risks could have an adverse effect on one or more of the Company's portfolio companies at any point in time. Company-specific and industry-specific risks which materially adversely affect Pinetree's portfolio investments may have a materially adverse impact on our operating results.

(b) Concentration risk

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the operating results of the Company. As at December 31, 2019, the Company's top five investments, all of which are public companies in the technology sector, had a fair value of \$6,904. This represents 71% of the fair value of the Company's total portfolio and 39% of the fair value of the Company's equity. As at December 31, 2018, the Company's top five investments, four of which were public companies and one a private company, had a fair value of \$6,191 in the technology sector. These represented 69% and 8% of the fair value of the Company's total portfolio, and together represented 41% of the Company's total equity.

(c) Tax Matters:

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

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

(d) Cash Flows/Revenue:

Pinetree generates revenue and cash flows primarily from its proceeds from the disposition of its investments, in addition to interest and dividend income earned on the Company's investments and fees generated from securities lending and other activities. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Company's direct control.

(e) Private Issuers and Illiquid Securities:

Pinetree invests in securities of private issuers. Investments in private issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. These limitations may impair Pinetree's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for any of Pinetree's private company investments or that the Company will otherwise be able to realize a return on such investments. Pinetree also invests in illiquid securities of public issuers. A considerable period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or

other disposition at attractive prices or otherwise be unable to complete any exit strategy. In some cases, the Company may be prohibited by contract or by law from selling such securities for a period of time or otherwise be restricted from disposing of such securities. Furthermore, the types of investments made may require a substantial length of time to liquidate.

(f) Share Prices of Investments:

Pinetree's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject securities could be subject to wide fluctuations in response to various factors beyond the control of Pinetree, including quarterly variations in the subject entities' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. In recent years equity markets have experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on market prices, often unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments and significantly negatively impact upon the Company's operating results.

(g) Dependence on Management:

Pinetree is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and their various fields of expertise and knowledge. Accordingly, the Company's continued success will depend upon the continued service of these individuals, who are not obligated to remain employed with Pinetree. A loss of key personnel could have a material adverse effect on the revenues, net income and cash flows of the Company, and could harm its ability to maintain or grow its existing assets and raise additional funds in the future.

(h) Access to Capital/Liquidity:

Pinetree anticipates ongoing requirements for funds to support the Company's growth and may seek to obtain additional funds for these purposes through public or private equity shares financing. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or at an acceptable level. Any additional equity financing may cause shareholders to experience dilution, and any additional debt financing may result in increased interest expense or restrictions on our operations or ability to incur additional debt. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investment portfolio. The Company will need to finance our ongoing working capital requirements through portfolio dispositions and external sources of capital, both of which are dependent upon certain factors outside of our control. There can be no assurance that we will be able to generate sufficient cash to fund our operations and satisfy our commitments, and the failure to do so will have a material adverse effect on our operations.

(i) Non-controlling Interests:

Pinetree's investments include debt instruments and equity securities of companies that Pinetree does not control. These instruments and securities may be acquired in the secondary market or through purchases of securities from the issuer. Any such investment is subject to the risk that the company in which the investment is made may make business, financial or management decisions with which Pinetree does not agree, or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve Pinetree's interests. If any of the foregoing were to occur, the values of the Company's investments could decrease and its financial condition, results of operations and cash flow could suffer as a result.

(j) Exchange Rate Fluctuations:

A portion of Pinetree's portfolio is invested in U.S. dollar denominated investments, as well as investments denominated in other foreign currencies. Changes in the value of the foreign currencies in which the Company investments are denominated could have a negative impact on the ultimate return on the Company's investments and overall financial performance.

15. Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares (no par value).

At the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Pinetree are as follows:

| | |
|---|-----------|
| Common shares outstanding | 9,045,198 |
| Stock options outstanding to purchase common shares | 72,550 |
| Fully diluted common shares outstanding | 9,117,748 |

Additional information about the Company's share capital can be found in note 8 of the Notes to the consolidated financial statements as at and for the years ended December 31, 2019 and 2018.

16. Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Critical accounting estimates used in the preparation of the Company's consolidated financial statements are the fair value of its investments in securities not quoted in an active market (its privately-held investments) and the recognition of the Company's deferred tax assets ("DTA").

Fair Value of Investment in Securities Not Quoted in an Active Market:

The valuation of privately-held investments ("private investments") requires management to assess the current financial status and prospects of private investments based upon potentially incomplete or unaudited financial information provided by the investee company, on management's general knowledge of the private investment's activities, and on any political, economic or other events that may impact upon the private investment specifically, and to attempt to quantify the impact of such events on the fair value of the investment. In addition to any events or circumstances that may affect the fair value of a particular private investment, management can consider trends in general market conditions and the share performance of comparable publicly-traded companies that may affect the fair value of either a particular private investment or a group, segment or complete portfolio of private investments.

Within Level 3 of the financial instruments hierarchy, the valuation of the Company's private company investments and other investment instruments such as loans to investees and convertible debentures, which are not quoted on an exchange, involve the key assumptions including the value at which a recent financing was done by the investee, company-specific information, review of adjusted net book values, liquidation analysis, trends in general market conditions, the share performance of comparable publicly-traded companies and strategic reviews of the investments in conjunction with the Company's investment strategy. Changes in the fair value of our private investments for company-specific reasons have tended to be infrequent. Changes as a result of trends in comparable publicly-traded companies and general market conditions may be more frequent from period to period during times of significant volatility; however, given the size of our private investment portfolio, such changes may have a significant impact on our financial condition or operating results.

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

| Valuation technique | December 31, 2019 | | December 31, 2018 | |
|--|-------------------|-----------------------------------|-------------------|-----------------------------------|
| | Fair Value | Unobservable inputs | Fair Value | Unobservable inputs |
| Trends in comparable publicly traded companies and general market conditions, review of adjusted net book values, liquidation analysis, strategic review | \$ 347 | Adjustment range (-80% to -12.5%) | \$ 714 | Adjustment range (-80% to -12.5%) |
| | \$ 347 | | \$ 714 | |

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 +/- \$87 (December 31, 2018: +/- \$178) 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. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Recognition of Deferred Tax Assets:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. As at December 31, 2019, management determined, based upon the Company's historical level of profit and historical market trends of a comparable market index, it is not probable that the Company will generate sufficient profit to realize the tax benefits of these deductible differences during the next several years. As such, the Company has recorded deferred tax assets of \$nil as at December 31, 2019 (December 31, 2018 - \$nil).

17. Use of Non-IFRS Financial Measures

This MD&A contains references to "Book Value" and "Book Value per share" ("BVPS") as a measure of the performance of the Company as a whole. Book value is the shareholders' equity at the date of the statement of financial position, otherwise calculated as the total assets minus the total liabilities. Book Value is divided by the total number of common shares outstanding as at a specific date to give BVPS. Book Value and BVPS do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies. These amounts are not performance measures as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS.

18. Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or courses of action or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "anticipate", "plan", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and other similar terminology (including negative variations) suggesting future outcomes or statements regarding an outlook.

By their nature, forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The assumptions that were made in support of the forward-looking statements in this MD&A, while considered reasonable by management at the time, are inherently subject to uncertainties and no assurance can be given that these assumptions will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements contained in this MD&A.

The forward-looking statements contained in this MD&A are provided as of the date hereof and, except as may be required by law, the Company assumes no obligation to update or revise them to reflect new events or circumstances. All the forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Additional Information:

Additional information relating to Pinetree Capital Ltd., including its annual information form for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at (www.sedar.com).