



**PINETREE CAPITAL LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE PERIOD ENDED:      SEPTEMBER 30, 2023**

**DATE OF REPORT:              OCTOBER 26, 2023**

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This management's discussion and analysis of the financial condition and results of operation ("MD&A") of Pinetree Capital Ltd. ("Pinetree" or the "Company") should be read in conjunction with Pinetree's condensed consolidated interim financial statements and notes thereto as at and for the period ended September 30, 2023.

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 the forward-looking statements contained 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; investments by the Company in private issuers which have illiquid securities; 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 and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under Pinetree's profile at [www.sedar.com](http://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 49 Leuty Ave, Toronto, ON, M4E 2R2.

Pinetree is a value-oriented investment and merchant banking company 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 equity (also referred to as "book value" or "BV") and expenses, in conjunction with Book Value Per Share ("BVPS") and quarterly expenses 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	Equity \$000's	Book Value per share (BVPS) <sup>1</sup> \$	Quarterly Expenses \$000's	Expenses as a percentage of BV <sup>1</sup> %
Sep-30-23	9,387,000	41,399	4.41	190	0.5
Jun-30-23	9,387,000	42,111	4.49	260	0.6
Mar-31-23	9,387,000	39,056	4.16	283	0.7
Dec-31-22	9,387,000	39,619	4.22	275	0.7
Sep-30-22	9,387,000	36,550	3.89	293	0.8
Jun-30-22	9,387,000	37,644	4.01	230	0.6
Mar-31-22	9,387,000	35,779	3.81	337	0.9
Dec-31-21	9,387,000	38,439	4.09	226	0.6

<sup>1</sup> Refer to "Use of Non-IFRS Financial Measures"

Shares Outstanding and Equity amounts are as at the Quarter End date. Expense amounts are for the Three months ending the Quarter End date

### *Investments and Operating Results*

As at September 30, 2023, Pinetree's equity was \$41,399 which compares to \$39,619 as at December 31, 2022. This resulted in Pinetree's BVPS increasing from \$4.22 as at December 31, 2022 to \$4.41 at September 30, 2023. The change represents an increase of \$0.19 or 4.5%.

As at September 30, 2023, the Company held investments at fair value totaling \$38,937, which represented 94% of book value. This compares to investments at fair value of \$31,145 representing 79% of book value as at December 31, 2022.

### *Capital Management and Expenses*

Expenses for the twelve months ended September 30, 2022 were \$1,008 which corresponds to 2.4% of book value as at September 30, 2023. This compares to expenses of \$1,086 for the twelve months ended September 30, 2022 which corresponds to 2.9% of book value as at September 30, 2022. Since expenses fluctuate from quarter to quarter, management monitors costs on a trailing twelve month basis. Included in expenses are foreign exchange fluctuations resulting from cash balances held in currencies other than Canadian dollars.

### *Management Changes*

On August 15, 2023, Pinetree's Chief Investment Officer, Shezad Okhai, left the Company and accepted a contract position with Bravura solutions, one of Pinetree's investees, as Chief Commercial Officer.

### 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, 2022 for additional details about the Company's investments and accounting policy.

The portfolio consists of investments, cash, and cash equivalents. 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. Investments made by the previous management team are shown below as Legacy positions with limited value.

#### Portfolio

As at September 30, 2023, 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
Public	10	32,449	32,846	79%
Private	1	1,000	1,000	2%
Legacy positions	8	7,140	0	0%
Equity investments	19	40,291	33,846	81%
Debtentures	1	2,450	2,690	7%
ETF	1	2,404	2,401	6%
Cash and cash equivalents			2,677	6%
Total portfolio			41,614	100%

As at December 31, 2022, 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
Public	11	29,357	30,145	75%
Private	1	1,000	1,000	3%
Legacy positions	9	6,940	0	0%
Equity investments	21	37,297	31,145	78%
Debtenture	1	2,450	2,760	7%
Cash and cash equivalents			6,045	15%
Total portfolio			39,950	100%

At September 30, 2023, equity investments represented 81% of the portfolio. Excluding legacy positions, the Company held 11 equity investments, 10 public and 1 private. This compares to 12 equity investments, excluding legacy positions, representing 78% of portfolio assets as of December 31, 2022.

At September 30, 2023, the Company held 8 legacy investments, all of which have been evaluated as having a fair value of zero. The fair market value of these investments represented 0% of portfolio assets. This compares to 9 legacy investments at December 31, 2022, all of which were evaluated as having a fair value of zero.

During the year the Company invested \$2,404 in a high-interest ETF to generate a better return on a portion of its cash. At September 30, 2023, cash, cash equivalents, debentures and ETFs represented 19% of the portfolio. As such, Pinetree is well capitalized and has the ability to make meaningful new equity investments as opportunities present themselves.

#### *Investments by Industry*

The following table summarizes the carrying value and cost of Pinetree's equity investments, both public and private, excluding legacy investments, aggregated by industry as at September 30, 2023 and December 31, 2022:

Equity investments by industry (\$000's)	As at September 30, 2023			As at December 31, 2022		
	Cost	Fair value	Difference	Cost	Fair value	Difference
Financial Services Software	12,242	9,501	(2,740)	4,272	6,663	2,390
Vertical Market Software	3,664	7,046	3,382	10,859	9,477	(1,381)
Dealership Software	5,788	5,600	(748)	3,628	3,160	(468)
Insurance Software	2,365	3,309	945	2,362	2,153	(209)
Healthcare Software	3,407	3,009	(398)	4,582	4,822	240
Business Process Services	2,239	2,000	(239)	2,239	2,331	92
Education Software	1,000	1,000	-	1,000	1,000	-
Construction and Design Software	-	-	-	891	905	14
Field Services Software	654	959	305	524	635	111
Total equity investments	33,449	33,846	397	30,357	31,145	789

Equity investments excluding legacy investments are comprised entirely of investments in companies that provide software and technology enabled services to the private and public sectors.

#### *Investments by Geography*

The following table summarizes the locations of Pinetree's equity investments, both public and private, according to their headquarters as at September 30, 2023 and December 31, 2022:

Headquarters of investee	As at September 30, 2023		As at December 31, 2022	
	Number of investments	Fair value \$000's	Number of investments	Fair value \$000's
Canada	4	10,319	4	7,425
United States	3	8,861	3	8,009
Australia	1	5,950	1	5,952
Poland	1	3,726	1	4,032
Norway	1	3,009	1	2,325
United Kingdom	1	1,982	1	905
Germany	-	-	1	2,497
Total	11	33,846	12	31,145

At September 30, 2023, 7 of the Company's 11 investees were located outside of Canada. These investments represented 57% of the fair value of the portfolio. This compares to 8 of 12 investees representing 59% of the fair value of the portfolio as at December 31, 2022.

With a significant exposure to investments denominated in currencies other than the Canadian Dollar, the fair market value of Pinetree's portfolio may be subject to fluctuations based on foreign exchange rates. Management does not set restrictions on allocations by geography and does not hedge.

#### *Investments by Size*

The following table summarizes the size of Pinetree's equity investments according to their market capitalizations in Canadian Dollars as at September 30, 2023 and December 31, 2022:

Equity investments by issuer size (market cap)	As at September 30, 2023		As at December 31, 2022	
	Number of positions	Fair value \$000's	Number of positions	Fair value \$000's
Under 350 million	6	20,666	6	17,009
350m to 1 billion	-	-	-	-
Over 1 billion	4	12,180	5	13,137
Private investments (unallocated)	1	1,000	1	1,000
<b>Total</b>	<b>11</b>	<b>33,846</b>	<b>12</b>	<b>31,145</b>

At September 30, 2023, 6 of the Company's 11 equity investments were in investees with market capitalizations of less than \$350 million. These investments represented 50% of the portfolio. This compares to 6 of 12 investments representing 43% of the portfolio as at December 31, 2022. When considering the size of public issuers in which to invest, management does not set restrictions or target allocations for the portfolio, instead focusing on total potential returns and appropriateness of such investments in the context of Pinetree's overall portfolio. Smaller investees may be subject to significant price fluctuations and positions in smaller issuers may be difficult to build or exit due to lack of liquidity.

#### **4. Results of Operations**

The Company's selected quarterly results for the eight most recently completed interim financial periods are as follows:

(\$, in thousands except per share amounts)	Quarter ended (unaudited)							
	Sept 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sept 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Revenue and other income	(520)	3,323	(276)	3,315	(798)	2,095	(2,323)	156
Net income (loss)	(712)	3,055	(563)	3,069	(1,094)	1,865	(2,660)	(70)
Earnings (loss) per share - basic and diluted	(0.08)	0.33	(0.06)	0.33	(0.12)	0.20	(0.28)	(0.01)

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, there are times when these fluctuations can provide an opportunity to invest more capital in attractively priced investments or realize gains on securities management believes are over-valued.

## 5. Three Months Ended September 30, 2023 and 2022

Three months ended September 30, 2023						
Investments	Realized gain	Realized loss	Net realized gain	Unrealized gain	Unrealized loss	Net change in unrealized gain (loss)
Public	75	-	75	2,577	(3,237)	(660)
Private	-	-	-	-	-	-
Debenture	-	-	-	-	(110)	(110)
Legacy	-	-	-	-	-	-
<b>Total</b>	<b>75</b>	<b>-</b>	<b>75</b>	<b>2,577</b>	<b>(3,347)</b>	<b>(770)</b>

  

Three months ended September 30, 2022						
Investments	Realized gain	Realized loss	Net realized gain (loss)	Unrealized gain	Unrealized loss	Net change in unrealized gain (loss)
Public	1,568	(403)	1,165	1,459	(3,327)	(1,778)
Private	-	-	-	-	(134)	(134)
Debenture	162	-	163	-	(380)	(380)
Legacy	-	(100)	(100)	100	-	100
<b>Total</b>	<b>1,730</b>	<b>(503)</b>	<b>1,227</b>	<b>1,559</b>	<b>(3,751)</b>	<b>(2,192)</b>

The net realized gain for the three months ended September 30, 2023 was \$75, compared to a net realized gain of \$1,227 for the corresponding period in the previous year. The net realized gain was primarily the result of trimming one of our positions. The net realized gain for the corresponding period in the previous year was primarily the result of a realized gain on public investments of \$1,568 offset by a realized loss of \$403.

The net change in unrealized loss for the three months ended September 30, 2023 was \$(770), compared to a net change in unrealized loss of \$(2,192) for the corresponding period in the previous year. The net change in unrealized loss was primarily the result of a \$2,148 unrealized gain in a Financial Service Software business, Bravura Solutions, which had previously undergone a significant unrealized loss. Due to a number of disruptions, poor financial performance and an emergency capital raise, there was significant pressure on the stock price. With a new CEO, reasonable guidance and a refreshed board the market has become more positive which caused the stock price to increase resulting in the unrealized gain. Mr. Leonard joined the board of Bravura on September 19. The unrealized loss was the result of steady price declines in two Vertical Market Software businesses (\$847 and \$700) which were not tied to any specific factors, our Healthcare Software business (\$560) which failed to meet their Q3 targets, and our Dealership Software business (\$560) which continues to have difficulty generating sustainable free cash flow.

For the three months ended September 30, 2023, other income totalled \$175 as compared to other income of \$167 for the three months ended September 30, 2022. Other income is comprised of interest and dividend income of \$105 and \$70, respectively (three months ended September 30, 2022 – interest and dividend income of \$90 and \$77, respectively). Operating, general and administrative expenses for the three months ended September 30, 2023 decreased to \$192 from \$223 for the three months ended September 30, 2022.

	September 30, 2023	September 30, 2022
Professional fees	\$ 28	\$ 33
Office and general	36	74
Transfer agent, filing fees and other info systems	36	20
Salaries, consulting and directors' fees	84	85
Transaction costs	8	11
	<b>\$ 192</b>	<b>\$ 223</b>

The decrease in operating, general and administrative expenses was primarily due to the decrease in harmonized sales tax expense compared to the corresponding quarter in the previous year.

## 5. Nine Months Ended September 30, 2023 and 2022

Nine months ended September 30, 2023						
Investments	Realized gain	Realized loss	Net realized gain (loss)	Unrealized gain	Unrealized loss	Net change in unrealized gain (loss)
Public	2,530	-	2,530	2,366	(2,761)	(395)
Private	-	-	-	-	-	-
Debenture	-	-	-	-	(70)	(70)
Legacy	-	(2,750)	(2,750)	2,750	-	2,750
<b>Total</b>	<b>2,530</b>	<b>(2,750)</b>	<b>(220)</b>	<b>5,116</b>	<b>(2,831)</b>	<b>2,285</b>

  

Nine months ended September 30, 2022						
Investments	Realized gain	Realized loss	Net realized gain (loss)	Unrealized gain	Unrealized loss	Net change in unrealized gain (loss)
Public	2,581	(1,439)	1,142	3,848	(6,161)	(2,312)
Private	-	-	-	-	(189)	(189)
Debenture	162	-	162	-	(170)	(170)
Legacy	-	(475)	(475)	479	-	479
<b>Total</b>	<b>2,743</b>	<b>(1,914)</b>	<b>829</b>	<b>4,327</b>	<b>(6,519)</b>	<b>(2,192)</b>

The net realized loss for the nine months ended September 30, 2023 was \$220, compared to a net realized gain of \$829 for the corresponding period in the previous year. The net realized loss was the result of a \$2,750 realized loss on a legacy investment, offset by a realized gain on a Vertical Market Software business which we reduced.

The net change in unrealized gain for the nine months ended September 30, 2023 was \$2,285, compared to a net change in unrealized loss of \$(2,192) for the corresponding period in the previous year. The net change in unrealized gain was primarily the result of the reversal of the unrealized loss on the Legacy investment along with the unrealized gain in Bravura and the unrealized losses elsewhere in the portfolio mentioned above.

For the nine months ended September 30, 2023, other income totalled \$462 as compared to other income of \$337 for the nine months ended September 30, 2022. Other income is comprised of interest and dividend income of \$332 and \$130, respectively (nine months ended September 30, 2022 – interest income and dividend income of \$225 and \$112, respectively).

Operating, general and administrative expenses for the nine months ended September 30, 2023 increased to \$710 from \$632 for the nine months ended September 30, 2022. A breakdown of operating, general and administrative expenses for the indicated nine month periods ended September 30, of 2023 and 2022 is set out below. Details of the changes between periods follow the table:

	2023	2022
Professional fees	\$ 92	\$ 81
Office and general	156	190
Transfer agent, filing fees and other info systems	88	68
Salaries and directors' fees	357	263
Transaction costs	17	30
	<b>\$ 710</b>	<b>\$ 632</b>

The increase in operating, general and administrative expenses was primarily due to the increase in salaries.

## 6. Cash Flow

Net cash used in operating activities was \$3,368 during the nine months ended September 30, 2023, as compared to \$8,190 during the nine months ended September 30, 2022. During the nine months ended September 30, 2023, the Company had proceeds from disposition of investments of \$6,439, a decrease of \$11,371 when compared to \$17,810 during the nine months ended September 30, 2022. During the nine months ended September 30, 2023, the Company purchased \$9,404 of investments, a decrease of \$15,960 when compared to \$25,364 of investments purchased during the nine months ended September 30, 2022.

## 7. Liquidity and Capital Resources

<b>Consolidated Statements of Financial Position Highlights</b>	<b>September 30, 2023</b>	December 31, 2022
Cash and cash equivalents	\$ 2,677	\$ 6,045
Investments at fair value	38,937	33,905
Total assets	41,739	40,062
Total liabilities	340	443
Share capital and contributed surplus	450,466	450,466
Deficit	(409,067)	(410,847)
<b>BV per share <sup>(i)</sup></b>	<b>\$ 4.41</b>	<b>\$ 4.22</b>

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

The following table shows the Company's contractual undiscounted cash flows which are payable under financial liabilities on the consolidated statement of financial position as at September 30, 2023:

<b>Liabilities and obligations</b>	<b>Payments due by period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 – 3 years</b>	<b>4 – 5 years</b>	<b>After 5 years</b>
Accounts payable and accrued liabilities (i)	\$ 340	\$ 340	\$ -	\$ -	\$ -

The following table shows the Company's contractual undiscounted cash flows which are payable under financial liabilities on the consolidated statement of financial position as at December 31, 2022:

<b>Liabilities and obligations</b>	<b>Payments due by period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 – 3 years</b>	<b>4 – 5 years</b>	<b>After 5 years</b>
Accounts payable and accrued liabilities (i)	\$ 443	\$ 443	\$ -	\$ -	\$ -

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, it may require additional equity and/or debt capital in the future.

## 8. Liabilities

As at September 30, 2023, the carrying value of total liabilities was \$340 as compared to \$443 as at December 31, 2022. The Company continues to have no long-term debt and its cash and investments as at September 30, 2023 would be sufficient to meet the Company's current liabilities.

As at September 30, 2023, accounts payable and accrued liabilities include Class C preferred share liabilities of \$200 (December 31, 2022 - \$203). 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 September 30, 2023, the redemption price was \$10 per share and the retraction price in effect was \$0.11 per share (December 31, 2022 - \$0.09 per share). During the nine months ended September 30, 2023, 300 of the Class C Shares were cancelled by PCIC. During the year ended December 31, 2022, 100 of the Class C shares were cancelled by PCIC. As at September 30, 2023, 20,000 Class C Shares (December 31, 2022 – 20,300 Class C Shares) were issued and outstanding.

As at September 30, 2023, also included in accounts payable and accrued liabilities is \$33 for the winding down of its wholly owned inactive subsidiaries in Barbados.

## 9. Commitments

As at September 30, 2023 the Company had material commitments for cash resources of \$340 (December 31, 2022 - \$443), a decrease of \$103. The Company's cash and cash equivalents balance is sufficient to pay these material commitments.

As at September 30, 2023, included in accounts payable and accrued liabilities are \$200 of Class C Shares (December 31, 2022 - \$203). The Class C Shares are redeemable and retractable at any time.

## 10. Related Party Transactions

All transactions with related parties have occurred in the normal course of operations. Related party transactions included in the condensed consolidated interim statements of income (loss) were as follows during the three and nine months ended September 30:

Type of expense	Nature of relationship	Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Salaries and benefits	Officers	\$ 68	\$ 70	\$ 293	\$ 210
Director fees (i)	Directors	15	14	55	42
Office rent (ii)	Related Entity	6	-	18	-
		\$ 89	\$ 84	\$ 366	\$ 252

- (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.
- (ii) The Company entered into a lease agreement with L6 Holdings for the rental of office space. The term of the lease is a periodic tenancy commencing on January 1, 2023 and continuing on a month-to-month basis until the landlord or the tenant terminates the tenancy.

## 11. 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 three months ended September 30, 2023.

## 12. 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.

## 13. 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 September 30, 2023 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 September 30, 2023. The CEO and CFO have evaluated the ICFR as at December 31, 2022. 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 September 30, 2023, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

#### **14. Management of Capital**

There were no changes in the Company's approach to capital management during the three months ended September 30, 2023. The Company's capital includes all components of equity which amounts to \$41,399 as at September 30, 2023 (December 31, 2022 - \$39,619). 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 September 30, 2023.

#### **15. 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 investment or group of investments will have the potential to materially affect the operating results of the Company. The Company will typically seek to take equity positions between 5% and 10% of assets, and may from time to time take positions that exceed these levels. As at September 30, 2023, the Company's top five equity investments, all in the technology sector, had a fair value of \$21,587. This represents 52% of the fair value of the Company's total portfolio. As at December 31, 2022, the Company's top five equity investments had a fair value of \$19,300, all in the technology sector. These represented 57% of the fair value of the Company's total portfolio.

##### **(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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

## 16. Outstanding Share Data

As at September 30, 2023, there were 9,387,000 common shares issued and outstanding (December 31, 2022 – 9,387,000). The Company is authorized to issue an unlimited number of common shares.

## 17. 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, 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.

For the Company's Level 3 investments, the inputs used can be highly judgmental. Significant unobservable inputs that were considered include gross margins, sales & marketing expenses, research & development expenses, administrative expenses, churn, bookings, discount rates, perpetuity growth rates, scenario weightings, valuations of comparable public companies and financings. In aggregate, management estimates that adjustments to these key inputs would result in a +/- 25% (+/- \$250) change to the fair value of these Level 3 investments as a class.

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.

#### 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 September 30, 2023, 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 September 30, 2023 (December 31, 2022 - \$nil).

#### **18. Use of Non-IFRS Financial Measures**

This MD&A contains references to "book value" ("BV"), "book value per share" ("BVPS") and expenses as a % of equity as measures of the performance of the Company as a whole. These measures do not have any standardized meaning according to IFRS and do not have directly comparable IFRS measures 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.

Book value is equal to 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. Expenses as a % of book value is calculated by dividing the operating expenses by equity. Reconciliations of these non-IFRS measures can be found below:

<b>BVPS</b>	<b>For the period ended</b>	
	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Equity (otherwise known as book value)	\$ 41,399	\$ 39,619
Divided by: number of shares	9,387,000	9,387,000
	\$ 4.41	\$ 4.22

  

<b>Expenses as a % of BV</b>	<b>Quarter ended</b>	
	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Expenses	\$ 190	\$ 293
Divided by: book value	41,399	36,550
	% 0.5	% 0.8

#### **19. 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](http://www.sedar.com)).