

Consolidated Financial Statements of

Pinetree Capital Ltd.

(Unaudited)

March 31, 2005

Contents

Consolidated Financial Statements

Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Retained Earnings	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-11

(These unaudited consolidated financial statements have not been reviewed by our auditors.)

PINETREE CAPITAL LTD.
Consolidated Balance Sheets
As at March 31, 2005 and December 31, 2004
(Unaudited)

	<u>March 31, 2005</u>	<u>December 31, 2004</u> (note 3)
Assets		
Investments, at fair value (note 4)	\$ 81,978,142	\$ 82,426,943
Cash and cash equivalents	-	94,131
Prepaid and other receivables (note 6(b))	578,134	620,977
Deposits in trust	637,782	637,782
Capital assets, net	7,391	6,782
	<u>\$ 83,201,449</u>	<u>\$ 83,786,615</u>
Liabilities and Shareholders' Equity		
Bank indebtedness, net (note 8)	\$ 136,495	\$ -
Due to brokers	13,766,762	17,506,566
Accounts payable and accrued liabilities (note 6(a))	1,456,787	1,414,591
Advances from affiliated companies (note 7)	817,791	899,654
Short term loans payable (note 9)	2,501,988	2,310,740
Income taxes payable	2,179,365	1,937,569
	<u>20,859,188</u>	<u>24,069,120</u>
Future tax liabilities	<u>3,333,343</u>	<u>3,395,985</u>
	<u>24,192,531</u>	<u>27,465,105</u>
Shareholders' equity		
Share capital (note 5)	17,801,398	17,539,298
Contributed surplus (note 5(b))	967,804	930,922
Retained earnings	40,239,716	37,851,290
	<u>59,008,918</u>	<u>56,321,510</u>
	<u>\$ 83,201,449</u>	<u>\$ 83,786,615</u>

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Operations
Three Months Ended March 31,
(Unaudited)

	<u>2005</u>	<u>2004</u> (note 3)
Net investment gains (losses)		
Gain on disposal of investments, net	\$ 5,035,671	\$ 8,190,114
Unrealized losses on investments, net	(1,289,743)	(8,410,844)
	<u>3,745,928</u>	<u>(220,730)</u>
Other revenue		
Interest and dividend income	8,777	67,411
Other income (note 6(c))	447,000	15,000
	<u>4,201,705</u>	<u>(138,319)</u>
Expenses		
Operating, general and administrative (note 6(a))	954,178	1,176,080
Stock-based compensation (note 5(b))	36,882	18,225
Foreign exchange loss (gain)	104,931	(27,932)
Amortization	599	-
Interest (note 7(a))	272,087	168,079
	<u>1,368,677</u>	<u>1,334,452</u>
Income (loss) before income taxes	2,833,028	(1,472,771)
Provision for (recovery of) income taxes	444,602	(589,900)
Net income (loss) for the period	<u>\$ 2,388,426</u>	<u>\$ (882,871)</u>
Earnings (loss) per common share		
Basic	\$ 0.17	\$ (0.07)
Diluted	<u>\$ 0.17</u>	<u>\$ (0.07)</u>
Weighted average number of common shares outstanding		
Basic	13,695,523	12,010,150
Diluted	14,421,983	12,010,150

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Retained Earnings
Three Months Ended March 31,
(Unaudited)

	<u>2005</u>	<u>2004</u> (note 3)
Retained earnings, beginning of period	\$ 37,851,290	\$ 41,837,011
Net income (loss) for the period	<u>2,388,426</u>	<u>(882,871)</u>
Retained earnings, end of period	\$ 40,239,716	\$ 40,954,140

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Cash Flows
Three Months Ended March 31,
(Unaudited)

	<u>2005</u>	<u>2004</u> (note 3)
Cash flows from (used in) operating activities		
Net income (loss) for the period	\$ 2,388,426	\$ (882,871)
Items not affecting cash		
Gain on disposal of investments, net	(5,035,671)	(8,190,114)
Unrealized losses on investments, net	1,289,743	8,410,844
Amortization	599	-
Stock-based compensation expense	36,882	18,225
Future income taxes	(62,642)	(2,526,000)
	<u>(1,382,663)</u>	<u>(3,169,916)</u>
Changes in non-cash working capital balances related to operations		
Advances to affiliated companies	-	1,709,556
Prepaid and other receivables	42,843	(10,876)
Accounts payable and accrued liabilities	42,196	658,492
Advances from affiliated companies	(81,863)	-
Income taxes payable	241,796	1,936,100
	<u>(1,137,691)</u>	<u>1,123,356</u>
Cash flows from (used in) financing activities		
Purchase of shares under normal course issuer bid	(411,099)	(458,473)
Proceeds from issue of share capital	673,198	-
	<u>262,099</u>	<u>(458,473)</u>
Cash flows from (used in) investing activities		
Purchase of capital assets	(1,208)	-
Due to brokers	(3,739,804)	(2,974,199)
Short term loans payable	191,248	-
Purchase of investments	(16,505,995)	(22,511,648)
Proceeds on disposal of investments	20,700,725	24,951,041
	<u>644,966</u>	<u>(534,806)</u>
Net increase (decrease) in cash and cash equivalents, during the period	(230,626)	130,077
Cash and cash equivalents, beginning of period	94,131	31,999
Cash and cash equivalents (bank indebtedness), end of period	\$ (136,495)	\$ 162,076
Supplemental cash flow information		
Income taxes paid	\$ 300,000	\$ -
Interest paid	\$ 272,087	\$ 168,079

See accompanying notes to the consolidated financial statements.

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
March 31, 2005
(Unaudited)

1. Nature of business:

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated under the laws of the Province of Ontario and is publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "PNP". Pinetree develops and manages a portfolio of equity securities of private and public issuers engaged in growth businesses in the following four sectors: (i) Mining and Oil & Gas; (ii) Biotechnology; and (iii) Technology and Other. Pinetree's investment focus among these three sectors changes over time, depending on changing investment opportunities. As well, Pinetree takes advantage of special situations and merchant banking opportunities.

2. Significant accounting policies:

Management has prepared the unaudited consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles for interim financial reporting. Accordingly, they do not include all of the information and notes required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. The following information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's audited consolidated financial statements for the year ended December 31, 2004. Accounting policies followed in the preparation of the annual consolidated financial statements are consistent with those used in the preparation of the March 31, 2005 interim consolidated financial statements.

3. Business combination:

In the prior year, on June 1, 2004, Pinetree acquired the remaining issued and outstanding shares of Genevest for a deemed aggregate consideration of \$15,201,410 by issuing 16,826,860 pre-consolidation common shares of Pinetree. The transaction was accounted for as a reverse takeover of Pinetree by Genevest in accordance with the accounting requirements of Emerging Issues Committee Abstract #10 of the Canadian Institute of Chartered Accountants' Handbook, since the former shareholders of Genevest will hold 70.4% of the post amalgamation common shares of Pinetree immediately after the completion of the transaction.

Under this form of purchase accounting, Genevest is deemed to have acquired Pinetree and the consolidated financial statements of Pinetree for periods after June 1, 2004, include only Genevest's operating results prior to the reverse takeover and the results of the consolidated company thereafter. All comparative figures and references to the periods prior to June 1, 2004 are those of Genevest.

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
March 31, 2005
(Unaudited)

4. Investments:

(a) Investments consist of the following as at March 31, 2005 by sector:

Sector: Mining and Oil & Gas

Sub-sector	Number of investments	Cost	Fair Value	% of sector (FV)
Coal	5	\$ 3,671,429	\$ 6,300,083	12.4
Base metals	15	7,429,522	9,457,259	18.6
Oil & gas	19	7,788,929	10,050,037	19.8
Precious metals and diamonds	60	17,288,454	18,273,338	36.1
Uranium	15	5,509,752	6,638,661	13.1
	114	41,688,086	50,719,378	100.0

Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Biotechnology			
ChondroGene Limited	1,795,895 common shares	1,155,452	31.7
LAB International Inc.	1,307,200 common shares		
	750,000 warrants expire Nov 1, 2005		
	50,000 warrants expire Dec 22, 2005		
	300,000 warrants expire Dec 30, 2006	1,612,916	21.7
Haemacure Corp.	2,832,000 common shares		
	1,000,000 warrants expire Mar 19, 2006	783,105	16.1
Alegro Health Corp.	1,500,000 common shares		
	750,000 warrants expire Aug 4, 2006	375,000	15.2
Spectral Diagnostics Inc.	431,500 common shares		
	150,000 warrants expire Nov 19, 2006	868,007	6.5
Other equity investments - Biotechnology sector (i)		988,393	8.8
		5,782,873	100.0

Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Technology and Other			
Enghouse Systems Limited	800,000 common shares	968,515	23.7
Fiber Optics Systems Technology Inc.	3,614,300 common shares		
	506,848 warrants expire Oct 13, 2005		
	2,294,311 warrants expire Feb 27, 2006	2,720,707	22.4
Solomon Technologies, Inc.	1,171,474 common shares		
	1,771,474 warrants expire Apr 30, 2014		
	US\$50,000 promissory note May 6, 2005	1,704,125	8.1
Certicom Corp.	400,000 common shares	1,732,782	7.9
FUN Technologies plc	400,000 common shares	738,970	7.6
Other equity investments – Technology and Other sector (i)		9,102,641	30.3
		16,967,740	100.0

Total investments **\$ 64,438,699** **\$ 81,978,142**

(i) Other equity investments in Biotechnology sector and Technology and Other sector include all investments which are not in the top five investments in their respective sector, by Fair Value, held by the Company as at March 31, 2005.

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
March 31, 2005
(Unaudited)

4. Investments (continued):

(b) Investments consist of the following as at December 31, 2004 by sector:

Sector: Mining and Oil & Gas

Sub-sector	Number of investments	Cost	Fair Value	% of sector (FV)
Coal	5	\$ 2,222,327	\$ 6,880,870	12.6
Base metals	13	5,796,110	6,801,207	12.4
Oil & gas	19	8,147,540	9,389,340	17.1
Precious metals and diamonds	66	23,096,736	27,571,133	50.4
Uranium	10	3,612,779	4,129,722	7.5
	113	42,875,492	54,772,272	100.0

Security Description	Cost	Fair Value	% of sector (FV)	
Sector: Biotechnology				
ChondroGene Limited	1,795,895 common shares	1,155,452	1,871,468	30.5
LAB International Inc.	1,550,000 common shares 750,000 warrants expire Nov 1, 2005 50,000 warrants expire Dec 22, 2005 300,000 warrants expire Dec 30, 2006	1,912,500	1,737,550	28.3
Haemacure Corp.	2,850,000 common shares 1,000,000 warrants expire Mar 19, 2006	787,705	983,250	16.0
Alegro Health Corp.	1,500,000 common shares 750,000 warrants expire Aug 4, 2006	375,000	675,000	11.0
Spectral Diagnostics Inc.	490,000 common shares 200,000 warrants expire Feb 15, 2005 150,000 warrants expire Nov 19, 2006	989,482	526,015	8.6
Other investments - Biotechnology sector (i)	586,358	341,175		5.6
	5,806,497	6,134,458		100.0

Security Description	Cost	Fair Value	% of sector (FV)	
Sector: Technology and Other				
Enghouse Systems Limited(ii)	800,000 common shares	968,515	7,144,000	33.3
Solomon Technologies, Inc.	1,171,474 common shares 1,771,474 warrants expire Apr 30, 2014	1,643,645	3,829,263	17.9
Fiber Optics Systems Technology Inc.	3,909,400 common shares 506,848 warrants expire Oct 13, 2005 2,294,311 warrants expire Feb 27, 2006	2,942,846	2,286,999	10.7
AirIQ Inc.	2,843,611 common shares 1,111,111 warrants expire Dec 17, 2005	979,171	1,775,374	8.3
FUN Technologies plc (formerly CES Software plc)	400,000 common shares	738,970	1,576,000	7.3
Other equity investments – Technology and Other sector (i)	7,049,576	4,908,577		22.5
	14,322,723	21,520,213		100.0
Total investments	\$ 63,004,712	\$ 82,426,943		

(i) Other equity investments in Biotechnology sector and Technology and Other sector include all investments which are not in the top five investments in their respective sector, by Fair Value, held by the Company as at December 31, 2004.

(ii) On September 15, 2004, Enghouse Systems Limited had a 2 for 1 stock split.

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
March 31, 2005
(Unaudited)

5. Share Capital:

- (a) On July 14, 2004, the Company planned to purchase up to 650,000 common shares through a normal course issuer bid (the "2004 NCIB"). The 2004 NCIB runs from July 19, 2004 to July 18, 2005. Purchase and payment for the common shares will be made in accordance with the TSX requirements. During fiscal 2004, pursuant to the 2004 NCIB, the Company had purchased 443,700 common shares of the Company at an average price of \$2.03 per common share. During the three months ended March 31, 2005, pursuant to the 2004 NCIB, the Company had purchased an additional 173,600 common shares of the Company at an average price of \$2.37 per common share.
- (b) On January 3, 2005, the Company granted 50,000 stock options exercisable at \$2.40 per common share and expiring on January 2, 2010. In accordance with CICA Handbook Section 3870, options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense and credits contributed surplus for all options granted.

The fair value of the options granted during three months ended March 31, 2005, was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes weighted average assumptions used	
Expected volatility	83.8%
Expected dividend yield	n/a
Risk-free interest rate	2.75%
Expected option life in years	3.5
Fair value per stock option granted on January 3, 2005	\$ 1.41

For the three months ended March 31, 2005, included in stock-based compensation is \$11,490 relating to the stock options granted during the period and \$25,392 relating to stock options granted in the prior years to directors, officers, employees and consultants of the Company.

- (c) During the three months ended March 31, 2005, 565,713 stock options were exercised at \$1.19 per common share.
- (d) As at March 31, 2005, the Company had 13,922,249 common shares outstanding for \$17,801,398 and 1,337,299 stock options outstanding at prices ranges from \$0.80 to \$2.40 and expiring between April 7, 2005 and January 2, 2010.
- (e) Subsequent to March 31, 2005, 62,856 stock options were exercised at \$0.91 per common share.

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
March 31, 2005
(Unaudited)

6. Related party transactions:

- (a) During the period, the Company had consulting agreements with certain officers and directors representing approximately \$29,500 (three months ended March 31, 2004 - \$36,400) per month. Included in operating, general and administrative expenses is approximately \$88,700 (three months ended March 31, 2004 - \$109,200) paid under these contracts. Included in the consulting agreement for the Chairman and Chief Executive Officer of the Company, is an annual bonus equal to 10% of the realized pre-tax profit of the Company. Included in operating, general and administrative expenses is \$454,219 (three months ended March 31, 2004 - \$772,922) relating to this bonus.
- (b) The Company has promissory notes totaling \$287,685 (net) (December 31, 2004 - \$481,780) owing from officers and a director of the Company. The promissory notes are unsecured and interest free.
- (c) Other income includes consulting income of \$444,000 (three months ended March 31, 2004 - \$15,000) from companies in which the Company has an investment.
- (d) The Company has a cost sharing arrangement with certain of its affiliated companies covering specific operating, general and administrative expenses including lease commitments and salaries.

7. Advances from affiliated companies:

Advances from affiliated companies consist of the following:

	March 31, 2005	December 31, 2004
Brownstone Ventures Inc. (a)	\$ 717,603	\$ 699,654
Maple Minerals Corp. (b)	100,188	—
PowerOne Capital Markets Limited (c)	—	200,000
	\$ 817,791	\$ 899,654

- (a) The Company's advances from Brownstone Ventures Inc. ("Brownstone"), a reporting issuer trading on the TSXV under the symbol "BWN", bear interest at Royal Bank prime plus 1% per annum. Included in the consolidated statements of operations is approximately \$8,950 of interest expense charged by Brownstone. In addition, the Company holds an investment in Brownstone having a fair value of \$2,274,577 (December 31, 2004 - \$1,446,344).
- (b) The Company's advances from Maple Minerals Corp. ("Maple"), a reporting issuer trading on the TSXV under the symbol "MPM", are unsecured and interest free. These advances were a prepayment for a cost sharing arrangement with the Company covering specific operating, general and administrative expenses including lease commitments and salaries.
- (c) The Company has a 50% interest in PowerOne Capital Markets Limited, an Ontario limited market dealer. These advances bear no interest and are due on demand.

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
March 31, 2005
(Unaudited)

8. Bank indebtedness:

During fiscal 2004, the Company signed a General Security Agreement ("GSA") with Royal Bank of Canada ("RBC") for a \$250,000 revolving line of credit and under the GSA, the Company's assets are collateralized after giving preference to CIBC. As at March 31, 2005, the Company had used \$169,988 of the line of credit.

Subsequent to March 31, 2005, RBC increased the Company's line of credit from \$250,000 to \$1 million less the amount outstanding on the RBC Loan (refer to note 9(a)).

9. Short term loans payable:

(a) As at December 31, 2004, the Company had an \$800,000 loan plus accrued interest of \$2,603 from Royal Bank of Canada (the "RBC Loan"). The RBC Loan is repayable in eight monthly payments of \$100,000 plus interest at RBC prime plus 2.5% per annum. The first payment was due and made on January 13, 2005. As at March 31, 2005, the Company had \$500,000 outstanding plus accrued interest of \$1,495 relating to the RBC Loan.

(b) As at December 31, 2004, the Company had a \$1,500,000 loan plus accrued interest of \$8,137 from Quest Capital Corp. (the "Quest Loan") which is unsecured and bears interest at 18% per annum. Interest is payable on the last day of each month with the first payment due and made on January 31, 2005. During the current period, the Company received an additional \$500,000 loan from Quest Capital Corp. The full amount of the Quest Loan plus any outstanding interest is due on June 30, 2005. As at March 31, 2005, the Company had \$2,000,000 outstanding plus accrued interest of \$493 relating to the Quest Loan.