

**Consolidated Financial Statements of**

**Pinetree Capital Ltd.**

(Unaudited)

**March 31, 2007**

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**PINETREE CAPITAL LTD.**  
**Consolidated Balance Sheets**  
**As at March 31, 2007 and December 31, 2006**  
**(Unaudited - in thousands of dollars)**

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
<b>Assets</b>		
Investments, at fair value (note 3)	\$ 698,700	\$ 552,377
Cash and cash equivalents	142	175
Prepays and other receivables (note 8(c))	290	917
Capital assets, net	686	359
	<u>\$ 699,818</u>	<u>\$ 553,828</u>
<b>Liabilities and Shareholders' Equity</b>		
Due to brokers (note 5)	\$ 125,505	\$ 57,571
Accounts payable and accrued liabilities (note 8(d))	10,647	7,861
Advances from affiliated company (note 6)	6,578	78
Income taxes payable	37,917	14,095
	<u>180,647</u>	<u>79,605</u>
<b>Promissory Note (note 7)</b>	<b>14,233</b>	<b>19,271</b>
<b>Future tax liabilities</b>	<b>89,198</b>	<b>87,122</b>
	<u>284,078</u>	<u>185,998</u>
<b>Shareholders' equity</b>		
Share capital (note 9)	99,310	98,832
Contributed surplus (note 9(e))	5,170	4,918
Retained earnings	311,260	264,080
	<u>415,740</u>	<u>367,830</u>
	<u>\$ 699,818</u>	<u>\$ 553,828</u>

See accompanying notes to the consolidated financial statements.

**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Operations**  
**Three Months Ended March 31,**  
**(Unaudited - in thousands of dollars, except per share amounts)**

	<u>2007</u>	<u>2006</u>
<b>Net investment gains</b>		
Gain on disposal of investments, net	\$ 96,763	\$ 19,890
Unrealized gains (losses) on investments, net	(9,386)	78,608
	<u>87,377</u>	<u>98,498</u>
<b>Other revenue</b>		
Interest and dividend income (note 8)	29	157
Other income (note 8(b))	143	2,041
	<u>87,549</u>	<u>100,696</u>
<b>Expenses</b>		
Operating, general and administrative (note 8)	11,520	2,830
Transaction costs	1,339	-
Stock-based compensation (note 9(d))	332	2,697
Foreign exchange gain	(391)	(16)
Amortization	21	1
Interest (note 7)	1,347	693
	<u>14,168</u>	<u>6,205</u>
<b>Income before income taxes</b>	<b>73,381</b>	<b>94,491</b>
<b>Provision for income taxes</b>	<b>26,201</b>	<b>28,138</b>
<b>Net income for the period</b>	<b>\$ 47,180</b>	<b>\$ 66,353</b>
<b>Earnings per common share (note 9(a))</b>		
Basic	\$ 0.55	\$ 1.07
Diluted	\$ 0.52	\$ 1.00
<b>Weighted average number of common shares outstanding (note 9(a))</b>		
Basic	85,794,969	62,136,248
Diluted	90,343,423	66,401,392

See accompanying notes to the consolidated financial statements.

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**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Retained Earnings**  
**Three Months Ended March 31,**  
**(Unaudited - in thousands of dollars)**

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	<u>2007</u>	<u>2006</u>
Retained earnings, beginning of period	\$ 264,080	\$ 83,444
Net income for the period	<u>47,180</u>	<u>66,353</u>
Retained earnings, end of period	\$ 311,260	\$ 149,797

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See accompanying notes to the consolidated financial statements.

**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Cash Flows**  
**Three Months Ended March 31,**  
**(Unaudited - in thousands of dollars)**

	<u>2007</u>	<u>2006</u>
<b>Cash flows from (used in) operating activities</b>		
Net income for the period	\$ 47,180	\$ 66,353
Items not affecting cash		
Gain on disposal of investments, net	(96,763)	(19,890)
Unrealized losses (gains) on investments, net	9,386	(78,608)
Amortization	21	1
Stock-based compensation expense	332	2,697
Future income taxes	2,076	23,894
	<u>(37,768)</u>	<u>(5,553)</u>
Changes in non-cash working capital balances related to operations		
Prepays and other receivables	627	(464)
Accounts payable and accrued liabilities	2,786	622
Deferred revenue	-	(302)
Income taxes payable	23,822	3,943
Interest payable on Promissory Note	(38)	-
	<u>(10,571)</u>	<u>(1,754)</u>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issue of share capital pursuant to private placements, net	-	31,336
Proceeds from issue of share capital pursuant to exercise of stock options	143	246
Proceeds from issue of share capital pursuant to exercise of warrants	255	-
Loan from officer	-	(1,976)
Repayment of Promissory Note	(5,000)	-
Advances from affiliated company	6,500	(1,015)
	<u>1,898</u>	<u>28,591</u>
<b>Cash flows from (used in) investing activities</b>		
Purchase of capital assets, net	(348)	-
Increase in due to brokers	67,934	6,007
Short-term loan payable	-	(2,600)
Purchase of investments	(237,302)	(68,392)
Proceeds on disposal of investments	178,356	41,069
	<u>8,640</u>	<u>(23,916)</u>
<b>Net increase (decrease) in cash and cash equivalents, during the period</b>	<b>(33)</b>	<b>2,921</b>
<b>Cash and cash equivalents (bank indebtedness), beginning of period</b>	<b>175</b>	<b>(2,318)</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 142</b>	<b>\$ 603</b>
<b>Supplemental cash flow information</b>		
Income taxes paid	\$ 303	\$ 301
Interest paid	1,239	693

See accompanying notes to the consolidated financial statements.

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## **Pinetree Capital Ltd.**

### **Notes to Consolidated Financial Statements**

**March 31, 2007**

**(Unaudited – in thousands of dollars, except for share and per share amounts)**

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#### **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 (the "TSX") under the symbol "PNP". Pinetree is a diversified investment, financial advisory and merchant banking firm focused on the small cap market. Pinetree's investments are primarily in the following resource sectors: Uranium, Oil & Gas, Molybdenum, Precious Metals, and Base Metals. As well, Pinetree has investments in the Biotechnology, Energy Related Technology, and Technology sectors. Pinetree's investment approach is to build a macro position in a sector, find the micro-cap opportunities in that sector and work with those companies to build them to commercial production and create an exit.

The Company effected a two-for-one stock split by issuing a stock dividend of one common share for every common share outstanding on the close of business on July 19, 2006. The Company effected another two-for-one stock split by issuing a stock dividend of one common share for every common share outstanding on the close of business on April 5, 2007. All current figures and comparative figures reflect both stock splits, retroactively.

#### **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, 2006. Accounting policies followed in the preparation of the annual consolidated financial statements are consistent with those used in the preparation of the March 31, 2007 interim consolidated financial statements except for the following:

- (a) Effective January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants' Handbook Section 1530, Comprehensive Income, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. Section 3861 establishes standards for disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. As there are no comprehensive income items, comprehensive income is equal to net income. Also, the Company does not hold any derivative instruments for hedging purposes. Accordingly, adoption of Sections 1530 and 3865 has had no effect on the Company's interim consolidated financial statements.

These consolidated financial statements include the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc. ("Genevest"), Pinetree Resource Partnership, Pinetree Income Partnership, Pinetree (Barbados) Inc., Pinetree Capital Markets Limited, and Emerald Capital Corp. All significant inter-company accounts and transactions have been eliminated on consolidation.

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments:

(a) Investments consist of the following as at March 31, 2007 by sector:

As at March 31, 2007:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium)</b>					
Mega Uranium Ltd.	(i, ii)	5,313,507 common shares 244,600 warrants expire Feb 13, 2012 150,000 warrants expire Feb 2, 2012	\$ 22,900	\$ 34,384	16.1
Ditem Explorations Inc.	(i, ii, iii)	3,546,000 common shares 1,773,000 warrants expire Jan 26, 2009	2,332	11,510	5.4
Dejour Enterprises Ltd.	(i, iii)	3,600,000 common shares US\$197,846 convertible debenture 250,000 warrants expire Dec 31, 2007	6,363	10,189	4.8
Western Uranium Corp.	(i, iii)	2,125,000 common shares	6,687	7,952	3.7
Monster Copper Corp.	(i, ii, iii)	5,416,000 common shares 400,000 warrants expire Dec 6, 2007 1,500,000 warrants expire Apr 30, 2008	2,738	7,668	3.6
Universal Uranium Ltd.	(ii, iii)	3,750,000 common shares	3,972	6,488	3.0
Bayswater Uranium Corp.	(iii)	2,743,500 common shares 1,217,500 warrants expire Sept 8, 2008 400,000 warrants expire Nov 1, 2008	4,067	5,570	2.6
Rockgate Capital Corp.	(iii)	1,250,000 common shares 1,250,000 warrants expire Jul 10, 2008	500	5,315	2.5
Strategic Metals Ltd.	(ii, iii)	5,257,000 common shares 750,000 warrants expire Feb 2, 2009	2,913	4,532	2.1
Continental Precious Minerals Inc.	(ii, iii)	1,114,769 common shares 1,250,000 warrants expire Apr 17, 2008 115,385 warrants expire Nov 28, 2008	1,215	4,325	2.0
Cue Capital Corp.	(ii, iii)	1,250,000 common shares 625,000 warrants expire Nov 27, 2007	625	4,313	2.0
Mawson Resources Ltd.	(iii)	1,200,000 common shares 100,000 warrants expire Feb 6, 2008 200,000 warrants expire Dec 27, 2008 152,500 warrants expire Apr 28, 2008	1,546	3,809	1.8
Kilgore Minerals Ltd.	(ii, iii)	1,875,000 common shares 350,000 warrants expire Sept 7, 2007	1,206	3,652	1.7
Red Hill Energy Inc.	(iii)	3,473,681 common shares 250,000 warrants expire Dec 7, 2008 250,000 warrants expire Apr 3, 2009	2,340	3,249	1.5
Silver Spruce Resources Inc.	(iii)	1,779,300 common shares	2,340	3,114	1.5
Ucore Uranium Inc.	(iii)	2,649,200 common shares 275,000 warrants expire Jun 15, 2008 750,000 warrants expire Mar 23, 2009	3,181	3,056	1.4
Cline Mining Corp.	(ii, iii)	7,007,600 common shares	3,840	2,873	1.3
Magnum Uranium Corp.	(iii)	2,199,285 common shares 357,142 warrants expire Mar 3, 2009	2,237	2,573	1.2
Nu Energy Uranium Corporation	(iii)	900,000 common shares 450,000 warrants expire Jun 4, 2008	810	2,286	1.1
Commander Resources Ltd.	(iii)	3,044,000 common shares 250,000 warrants expire May 15, 2008	1,562	1,950	0.9
Uranium City Resources Inc.	(ii, iii)	3,050,000 common shares 1,000,000 warrants expire Oct 20, 2007	1,254	1,778	0.8

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

As at March 31, 2007:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Resources (Uranium) (continued)</b>					
Trigon Uranium Corp.	(ii)	1,625,000 common shares 250,000 warrants expire Apr 27, 2008 312,500 warrants expire Dec 11, 2008	490	1,513	0.7
Benton Resources Corp.	(iii)	2,000,000 common shares	1,484	1,500	0.7
Southampton Ventures Inc.	(ii, iii)	1,000,000 common shares 500,000 warrants Mar 22, 2009	750	1,487	0.7
Uranium North Resources Corp.	(iii)	1,167,000 common shares 583,500 warrants expire Dec 6, 2007	875	1,450	0.7
Calypso Acquisition Corp.	(iii)	1,300,000 common shares 1,000,000 warrants expire Mar 9, 2009	1,013	1,355	0.6
Energentia Resources Inc.	(iii)	2,200,000 common shares 1,100,000 warrants expire Feb 15, 2009	1,475	1,135	0.5
Neutron Energy, Inc.	(iii)	US\$165,000 series A convertible debenture US\$680,000 series B convertible debenture	952	952	0.4
Signet Minerals Inc.	(ii, iii)	1,956,061 common shares 250,000 warrants expire Nov 29, 2007	592	802	0.4
Epsilon Energy Limited	(iii)	2,000,000 common shares	839	729	0.3
Bluerock Resources Ltd.	(ii, iii)	1,111,100 common shares 1,111,100 warrants expire Oct 27, 2008	500	700	0.3
Global Uranium Corporation	(ii, iii)	1,800,000 common shares 1,800,000 warrants expire Mar 29, 2008	450	666	0.3
Cooper Minerals Inc.	(iii)	1,000,000 common shares 500,000 warrants expire Sept 6, 2008	548	638	0.3
Hawk Precious Minerals Inc.	(iii)	1,250,000 common shares 1,250,000 warrants expire Jan 19, 2009	300	575	0.3
Landmark Minerals Inc.	(iii)	650,000 common shares	610	501	0.2
Total of 50 other investments – Resources (Uranium) sector (iv)			45,505	69,469	32.6
			131,011	214,058	100.0
<b>Sector: Resources (Oil &amp; Gas)</b>					
Connacher Oil & Gas Ltd.	(i)	5,000,000 common shares	18,665	19,300	18.8
Brownstone Ventures Inc.	(i, ii, iii)	5,803,159 common shares 975,000 warrants expire Jul 19, 2008	5,456	15,538	15.1
MegaWest Energy Corp.	(i, iii)	4,165,400 common shares 325,000 warrants expire Jan 5, 2008 1,125,000 warrants expire Feb 28, 2008	3,211	12,500	12.2
Petrolifera Petroleum Limited	(i, ii)	500,000 common shares	3,299	9,510	9.3
Oilsands Quest Inc. (formerly CanWest Petroleum Corp.)	(i)	2,401,004 common shares 250,000 warrants expire Dec 12, 2007	4,944	9,334	9.1
West Africa Energy Inc.	(ii, iii)	1,963,260 common shares	1,049	1,883	1.8
Bontan Corporation Inc.	(ii, iii)	3,112,000 common shares 2,000,000 warrants expire Mar 27, 2008	977	1,040	1.0
Rochester Energy Corp.	(iii)	1,510,000 common shares 1,510,000 warrants expire Mar 2, 2009	800	800	0.8
Primary Petroleum Corporation	(iii)	\$500,000 convertible debenture \$250,000 convertible debenture	750	750	0.7
Shoreham Resources Ltd	(ii, iii)	2,500,000 common shares 2,500,000 warrants expire Sept 28, 2008	625	676	0.7
Total of 38 other investments – Resources (Oil & Gas) sector (iv)			25,877	31,280	30.5
			65,653	102,611	100.0

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

As at March 31, 2007:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Resources (Molybdenum)</b>					
Moly Mines Limited	(i)	2,459,300 common shares	7,218	7,402	37.4
Torch River Resources Ltd.	(i, ii, iii)	4,700,000 common shares			
		2,500,000 warrants expire Apr 5, 2009	2,481	2,760	13.9
Idaho General Mines Inc.	(i)	550,000 common shares	2,564	2,676	13.5
Pacific Comox Resources Ltd.	(i, ii, iii)	9,571,428 common shares			
		3,571,428 warrants expire Jun 12, 2008	1,029	1,614	8.2
Virgin Metals Inc.	(i, ii)	2,800,000 common shares	1,251	1,568	7.9
BCM Resources Corporation	(iii)	1,000,000 common shares			
		500,000 warrants expire Mar 22, 2008	400	657	3.3
Total of 4 other investments – Resources (Molybdenum) sector (iv)			2,769	3,117	15.8
			17,712	19,794	100.0
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals)</b>					
Aurelian Resources Inc.	(i)	544,700 common shares	4,329	16,554	7.4
iShares Silver Trust	(i)	84,324 common shares	12,418	12,969	5.8
Longview Capital Partners Inc.	(i, iii)	4,978,400 common shares			
		500,000 warrants expire Mar 1, 2008			
		500,000 warrants expire May 14, 2008			
		1,000,000 warrants expire Mar 15, 2009	5,034	10,151	4.6
Aquiline Resources Inc.	(i)	1,075,000 common shares			
		125,000 warrants expire Oct 11, 2007	2,496	9,597	4.3
High River Gold Mines Ltd.	(i)	3,805,000 common shares			
		70,000 warrants expire Jan 27, 2008	7,043	8,105	3.6
Solitario Resources Corp.	(iii)	1,500,000 common shares	2,668	7,020	3.2
Aranka Gold Inc.	(iii)	1,307,194 common shares			
		235,294 warrants expire Dec 22, 2007	1,945	5,544	2.5
Arctic Star Diamond Corp.	(iii)	8,114,091 common shares			
		2,500,000 warrants expire Oct 27, 2008			
		1,009,091 warrants expire Feb 21, 2009	2,390	3,880	1.7
Noront Resources Ltd.	(ii, iii)	4,445,000 common shares			
		375,000 warrants expire Dec 30, 2007			
		750,000 warrants expire Jan 5, 2008			
		1,250,000 warrants expire Dec 20, 2008	1,737	3,602	1.6
Tri Origin Exploration Ltd.	(ii, iii)	3,064,900 common shares	838	3,525	1.6
Unigold Inc.	(ii, iii)	5,250,000 common shares			
		1,000,000 warrants expire Jul 11, 2007	2,126	3,465	1.6
Aura Gold Inc.	(ii, iii)	4,469,500 common shares			
		668,250 warrants expire Nov 30, 2007	1,770	3,277	1.5
Christopher James Gold Corp.	(iii)	2,605,000 common shares			
		225,000 warrants expire Jun 19, 2008			
		500,000 warrants expire Aug 30, 2008	1,126	2,347	1.1
Murgor Resources Inc.	(iii)	6,250,000 common shares			
		500,000 warrants expire Jun 12, 2008			
		625,000 warrants expire Dec 12, 2008	1,917	2,207	1.0
Nortec Ventures Corp.	(ii, iii)	9,200,000 common shares			
		4,300,000 convertible debenture	2,025	2,187	1.0

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

As at March 31, 2007:

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
FieldEx Exploration Inc.	(ii, iii)	4,000,000 common shares	700	2,160	1.0
African Gold Group Inc.	(iii)	1,375,600 common shares			
		550,000 warrants expire Mar 13, 2009	2,346	1,909	0.9
East Asia Minerals Corp.	(iii)	2,901,000 common shares			
		75,000 warrants expire Oct 27, 2007	2,222	1,886	0.8
Valencia Ventures Inc.	(ii, iii)	2,653,000 common shares			
		1,500,000 warrants expire Mar 15, 2008	541	1,762	0.8
Golden Goose Resources Inc.	(iii)	2,217,000 common shares			
		250,000 warrants expire Mar 21, 2008	1,268	1,593	0.7
Sienna Gold Inc.	(iii)	2,211,500 common shares			
		750,000 warrants expire Nov 1, 2007	1,671	1,548	0.7
Madison Minerals Inc.	(iii)	2,200,000 common shares			
		500,000 warrants expire Dec 7, 2007			
		250,000 warrants expire Oct 11, 2008	1,325	1,505	0.7
Niblack Mining Corp.	(iii)	1,970,000 common shares			
		135,000 warrants expire Sept 2, 2007			
		250,000 warrants expire Nov 1, 2007			
		350,000 warrants expire Sept 15, 2008	1,362	1,494	0.7
Global Minerals Ltd.	(iii)	3,696,000 common shares			
		2,000,000 warrants expire Apr 21, 2008			
		1,500,000 warrants expire Mar 1, 2009	965	1,410	0.6
MacArthur Minerals Ltd.	(iii)	950,000 common shares	285	1,406	0.6
AMI Resources Inc.	(ii, iii)	2,638,000 common shares			
		2,000,000 warrants expire Dec 21, 2008	655	1,338	0.6
Goldrush Resources Ltd.	(ii, iii)	5,000,000 common shares			
		2,500,000 warrants expire Sept 20, 2008	1,488	1,336	0.6
MacMillan Gold Corp.	(ii, iii)	4,000,000 common shares			
		2,000,000 warrants expire Sept 27, 2008	1,400	1,336	0.6
Silver Reserve Corp.	(iii)	1,700,000 common shares			
		US\$875,000 2% convertible debenture	1,312	1,312	0.6
Portal Resources Ltd.	(iii)	1,791,500 common shares			
		25,000 warrants expire May 18, 2007	1,178	1,254	0.6
BacTech Mining Corporation	(ii, iii)	4,500,000 common shares			
		750,000 warrants expire Mar 15, 2008			
		800,000 warrants expire Aug 11, 2008	894	1,027	0.5
NioGold Mining Corp.	(iii)	2,500,000 common shares	1,021	988	0.4
New World Resources Corp.	(iii)	1,500,000 common shares	1,716	975	0.4
Starcree International Ventures Ltd.	(iii)	1,000,000 common shares			
		500,000 warrants expire Jan 18, 2010	500	926	0.4
Maudore Resources Ltd.	(iii)	500,000 common shares			
		250,000 warrants expire Dec 7, 2007	160	825	0.4
Intrepid Nustar Exchange Corp.	(iii)	1,750,000 common shares	1,338	718	0.3
Sable Resources Ltd.	(iii)	1,050,000 common shares			
		250,000 warrants expire May 17, 2007			
		150,000 warrants expire Jan 15, 2008	569	714	0.3

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

As at March 31, 2007:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Sunrise Minerals Inc.	(iii)	1,366,667 common shares 200,000 warrants expire May 8, 2007 333,334 warrants expire Jan 5, 2009	424	695	0.3
Southern Silver Exploration Corp.	(iii)	1,282,500 common shares 200,000 warrants expire Apr 12, 2007 500,000 warrants expire Oct 31, 2007 500,000 warrants expire Feb 24, 2009	585	655	0.3
Gold Summit Corp.	(iii)	3,600,000 common shares 600,000 warrants expire Jun 22, 2007 1,000,000 warrants expire May 14, 2008 1,000,000 warrants expire Aug 25, 2008	872	512	0.2
Total of 120 other investments – Resources (Precious Metals) sector (iv)			66,192	96,503	43.5
			142,851	222,217	100.0
<b>Sector: Resources (Base Metals)</b>					
Brilliant Mining Corp.	(i, iii)	4,292,000 common shares 281,250 warrants expire May 10, 2008	4,104	8,440	14.3
International Nickel Ventures Corp.	(i, ii, iii)	3,000,000 common shares	3,995	5,250	8.9
Hard Creek Nickel Corporation	(i)	1,675,000 common shares 325,000 warrants expire Oct 25, 2007	1,778	4,855	8.2
Geologix Explorations Inc.	(i, ii, iii)	4,001,900 common shares 500,000 warrants expire May 4, 2008 500,000 warrants expire Aug 28, 2008	3,052	4,236	7.2
First Nickel Inc.	(i)	2,500,000 common shares 500,000 warrants expire Sept 14, 2007	1,937	3,200	5.4
Independent Nickel Corp.	(i, ii, iii)	3,490,000 common shares	932	2,496	4.2
Newport Exploration Ltd.	(ii, iii)	3,150,000 common shares 2,400,000 warrants expire Dec 12, 2008	491	1,840	3.1
United Bolero Development Corp.	(iii)	3,510,000 common shares 1,000,000 warrants expire Nov 23, 2008	1,260	1,692	2.9
War Eagle Mining Co. Inc.	(ii, iii)	2,400,000 common shares 1,500,000 warrants expire Mar 7, 2008	1,331	1,248	2.1
Atlas Minerals Inc.	(iii)	2,600,000 common shares 2,600,000 warrants expire Dec 31, 2007	894	894	1.5
Slam Exploration Ltd.	(ii, iii)	5,426,000 common shares 1,364,000 warrants expire May 23, 2008 4,062,000 warrants expire Mar 14, 2009	800	888	1.5
Landrill International Inc.	(iii)	2,750,000 common shares 250,000 warrants expire Mar 14, 2008 150,000 warrants expire Apr 7, 2008 500,000 warrants expire Oct 12, 2008	839	605	1.0
Ungava Minerals Corp.	(ii, iii)	1,000,000 common shares 1,000,000 warrants expire Jul 4, 2008	500	500	0.8
Total of 25 other investments – Resources (Base Metals) sector (iv)			16,725	22,982	38.9
			38,638	59,126	100.0

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

As at March 31, 2007:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Biotechnology</b>					
Stem Cell Therapeutics Corp.	(i, iii)	5,050,000 common shares 1,250,000 warrants expire Mar 27, 2008 500,000 warrants expire Feb 1, 2009	2,503	4,248	21.5
Transition Therapeutics Inc.	(i)	2,350,000 common shares	3,240	3,713	18.8
GeneNews Limited (formerly ChondroGene Limited)	(i, iii)	3,050,000 common shares	3,103	2,440	12.3
Vyteris Holdings Inc.	(i)	1,246,667 common shares 500,000 warrants expire Nov 8, 2008	494	1,852	9.4
Spectral Diagnostics Inc.	(i)	1,500,000 common shares	1,578	1,485	7.5
Haemacure Corp.	(ii, iii)	9,231,000 common shares 2,500,000 A warrants expire Jan 5, 2012 2,500,000 B warrants expire Jan 5, 2012	1,946	1,363	6.9
Total of 10 other investments - Biotechnology sector (iv)			5,857	4,694	23.6
			18,721	19,795	100.0
<b>Sector: Energy Related Technology</b>					
Solomon Technologies, Inc.	(i, iii)	5,421,522 common shares US\$150,000 12% promissory note	1,506	3,402	36.6
Global Green Solutions Inc.	(i, iii)	2,227,743 common shares 700,000 warrants expire May 5, 2008 250,000 warrants expire Aug 19, 2008	1,051	2,778	29.9
Fiber Optics Systems Technology Inc.	(i, ii)	1,861,112 common shares	1,388	1,924	20.7
Pantano Energy Services (formerly Enercoil Resources Incorporated)	(i, iii)	1,333,333 common shares 166,666 warrants expire May 18, 2007 1,000,000 warrants expire Dec 12, 2007	750	750	8.1
Total of 1 other investment – Energy Related Technology sector (iv)			1,031	448	4.7
			5,726	9,302	100.0
<b>Sector: Technology and Other</b>					
Clearly Canadian Beverage Corporation	(i, iii)	1,148,184 common shares 333,334 warrants expire Sept 1, 2008 500,000 warrants expire Jul 15, 2009	3,954	3,566	6.9
Fluid Audio Networks, Inc.	(i, iii)	300,000 series A preferred shares 267,357 series B preferred shares 104,000 series C preferred shares 150,000 series C preferred shares US\$300,000 convertible debenture	1,854	1,817	3.5
GoFish Corporation	(i)	225,000 common shares 112,500 warrants expire Oct 27, 2011	381	1,329	2.6
VIQ Solutions Inc.	(i, ii, iii)	6,500,000 common shares	1,173	1,040	2.0
Centillion Industries Inc.	(i, iii)	3,000,000 common shares 1,500,000 warrants expire Mar 21, 2009	1,050	1,034	2.0
Fortress Paper Ltd.	(iii)	500,000 common shares	1,000	1,000	1.9
RAG Gaming	(iii)	500,000 common shares	1,000	1,000	1.9

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

#### 3. Investments (continued):

As at March 31, 2007:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Technology and Other (continued)</b>					
Cell-loc Location Technologies Inc.	(iii)	3,749,500 common shares 1,250,000 warrants expire Nov 14, 2007 2,000,000 warrants expire Sept 7, 2008 1,000,000 warrants expire Jan 26, 2009	750	889	1.7
ShifTV Inc.	(iii)	1,500,000 common shares 750,000 warrants expire Nov 30, 2009	750	750	1.4
View22 Technology Inc.	(iii)	1,000,000 common shares 500,000 warrants expire Aug 2, 2008	700	700	1.4
Valcent Products Inc.	(iii)	916,666 common shares 416,666 warrants expire May 15, 2008 500,000 warrants expire Dec 11, 2008	568	621	1.2
Total of 20 other investments – Technology and Other sector (iv)			12,339	38,051	73.5
			25,519	51,797	100.0
<b>Total investments</b>			<b>\$ 445,831</b>	<b>\$ 698,700</b>	

- (i) These investments are in the top five of their respective sector, by fair value, and these investments have a fair value greater than \$500 as at March 31, 2007.
- (ii) The Company has issued a Section 101 report under the Ontario Securities Act for these investments and these investments have a fair value greater than \$500 as at March 31, 2007.
- (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the company and these investments have a fair value greater than \$500 as at March 31, 2007.
- (iv) Total other investments in each sector include all equity investments, warrants, promissory notes and convertible debentures which are not individually listed in their respective sector, held by the Company as at March 31, 2007.

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

(b) Investments consist of the following as at December 31, 2006 by sector:

As at December 31, 2006:

Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Resources (Uranium)</b>					
Mega Uranium Ltd.	(i, ii)	5,449,307 common shares	\$ 22,403	\$ 38,640	20.6
Tournigan Gold Corp.	(i)	3,052,100 common shares			
		750,000 warrants expire Mar 31, 2007	2,696	12,096	6.4
Khan Resources Inc.	(i, iii)	3,215,300 common shares	2,523	11,834	6.3
Dejour Enterprises Ltd.	(i)	3,066,500 common shares			
		US\$197,846 convertible debenture			
		250,000 warrants expire Dec 31, 2007	5,091	8,626	4.6
Omegacorp Ltd.	(i)	7,000,306 common shares	3,367	7,235	3.9
Cash Minerals Ltd.	(i, iii)	4,202,000 common shares			
		375,000 warrants expire Nov 29, 2007			
		200,000 warrants expire Apr 4, 2008	3,227	7,019	3.7
Continental Precious Minerals Inc.	(ii, iii)	1,706,369 common shares			
		1,250,000 warrants expire Apr 17, 2008			
		115,385 warrants expire Nov 28, 2008	1,859	6,635	3.5
Twenty-Seven Capital Corp.	(iii)	1,467,600 common shares	2,342	3,977	2.1
Monster Copper Corp.	(ii, iii)	4,250,000 common shares			
		400,000 warrants expire Dec 6, 2007			
		1,500,000 warrants expire Apr 30, 2008	1,465	3,651	1.9
Cline Mining Corp.	(ii, iii)	7,007,600 common shares	3,840	3,399	1.8
Pele Mountain Resources Inc.	(ii, iii)	3,382,000 common shares			
		250,000 warrants expire Mar 24, 2008	1,097	3,303	1.8
Mawson Resources Ltd.	(iii)	1,100,000 common shares			
		200,000 warrants expire Dec 27, 2008			
		152,500 warrants expire Apr 28, 2008	1,261	2,705	1.4
Cue Capital Corp.	(iii)	1,250,000 subscription receipts	625	2,653	1.4
Strategic Metals Ltd.	(iii)	3,000,000 common shares	1,402	2,370	1.3
Kilgore Minerals Ltd.	(ii, iii)	1,875,000 common shares			
		350,000 warrants expire Sept 7, 2007	1,206	2,295	1.2
Trigon Uranium Corp.	(ii, iii)	1,825,000 common shares			
		250,000 warrants expire Apr 27, 2008			
		312,500 warrants expire Dec 11, 2008	551	2,235	1.2
Red Hill Energy Inc. (formerly UGL Enterprises Ltd.)	(iii)	2,600,954 common shares			
		341,666 warrants expire Mar 31, 2007			
		31,061 warrants expire Apr 8, 2007			
		250,000 warrants expire Dec 7, 2008	1,660	2,065	1.1
Uranium City Resources Inc.	(ii, iii)	2,750,000 common shares			
		1,000,000 warrants expire Oct 20, 2007	1,072	1,913	1.0
Uranium Star Corp.	(iii)	1,000,000 common shares			
		1,000,000 warrants expire Dec 15, 2008	577	1,769	0.9
Uranium North Resources Corp.	(iii)	1,167,000 common shares			
		583,500 warrants expire Dec 6, 2007	875	1,651	0.9
Bluerock Resources Ltd.	(ii)	1,111,100 common shares			
		1,111,100 warrants expire Oct 27, 2008	500	1,062	0.6
Neutron Energy, Inc.	(iii)	US\$165,000 series A convertible debenture			
		US\$680,000 series B convertible debenture	952	952	0.5

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

As at December 31, 2006:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Resources (Uranium) (continued)</b>					
Global Uranium Corporation	(ii, iii)	1,800,000 common shares 1,800,000 warrants expire Mar 29, 2008	450	666	0.4
Total of 36 other investments – Resources (Uranium) sector (iv)			21,122	59,130	31.5
			82,163	187,881	100.0
<b>Sector: Resources (Oil &amp; Gas)</b>					
Connacher Oil & Gas Ltd.	(i)	4,625,000 common shares	17,231	16,095	20.7
Oilsands Quest Inc. (formerly CanWest Petroleum Corp.)	(i)	2,257,754 common shares 250,000 warrants expire Dec 12, 2007	3,095	13,333	17.1
Brownstone Ventures Inc.	(i, ii, iii)	5,803,159 common shares 975,000 warrants expire Jul 19, 2008	5,456	12,691	16.3
Petrolifera Petroleum Limited	(i, ii)	500,000 common shares	3,299	8,810	11.3
Canoro Resources Ltd.	(i)	2,529,800 common shares 292,400 warrants expire Jul 25, 2007	2,602	4,844	6.2
Bontan Corporation Inc.	(ii, iii)	3,112,000 common shares 2,000,000 warrants expire Mar 27, 2008	977	896	1.2
West Africa Energy Inc.	(ii, iii)	1,963,260 common shares	549	883	1.1
Primary Petroleum Corporation	(iii)	1,000,000 common shares 666,667 warrants expire Mar 16, 2007 \$250,000 5% convertible debenture	750	750	1.0
Total of 29 other investments – Resources (Oil & Gas) sector (iv)			18,077	19,546	25.1
			52,036	77,848	100.0
<b>Sector: Resources (Precious Metals)</b>					
Aurelian Resources Inc.	(i)	535,000 common shares	1,953	16,398	9.2
Guyana Goldfields Inc.	(i)	1,000,000 common shares	3,852	11,900	6.7
Aquiline Resources Inc.	(i)	1,266,800 common shares 125,000 warrants expire Oct 11, 2007	2,941	9,868	5.5
Afriore Ltd.	(i)	900,000 common shares	1,315	7,812	4.4
iShares Silver Trust	(i)	50,348 common shares	6,891	7,527	4.2
Solitario Resources Corp.	(i)	1,535,200 common shares	2,730	7,292	4.1
Aranka Gold Inc.	(iii)	1,135,294 common shares 235,294 warrants expire Dec 22, 2007	1,258	4,891	2.7
Tri Origin Exploration Ltd.	(ii, iii)	3,950,000 common shares	1,079	3,792	2.1
Noront Resources Ltd.	(ii, iii)	4,100,000 common shares 375,000 warrants expire Dec 30, 2007 750,000 warrants expire Jan 5, 2008 1,250,000 warrants expire Dec 20, 2008	1,475	2,896	1.6
Unigold Inc.	(ii, iii)	5,050,000 common shares 1,000,000 warrants expire Jul 11, 2007	1,977	2,677	1.5
Aura Gold Inc.	(ii, iii)	4,469,500 common shares 668,250 warrants expire Nov 30, 2007	1,770	2,594	1.5
Madison Minerals Inc.	(iii)	2,200,000 common shares 500,000 warrants expire Dec 7, 2007 250,000 warrants expire Oct 11, 2008	1,325	2,194	1.2
MacArthur Minerals Ltd.	(iii)	1,000,000 common shares	300	2,160	1.2
Arctic Star Diamond Corp.	(iii)	5,500,000 common shares 500,000 warrants expire Mar 28, 2007 2,500,000 warrants expire Oct 27, 2008	1,423	1,324	0.7

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

As at December 31, 2006:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Silver Reserve Corp.	(iii)	1,700,000 common shares			
		US\$875,000 2% convertible debenture	1,312	1,312	0.7
Sienna Gold Inc.		2,300,000 common shares			
		750,000 warrants expire Nov 1, 2007	1,737	1,288	0.7
Intrepid Nustar Exchange Corp.	(iii)	1,750,000 common shares			
		110,000 warrants expire Feb 9, 2007	1,338	1,103	0.6
Christopher James Gold Corp.	(iii)	2,105,000 common shares			
		500,000 warrants expire Feb 1, 2007			
		225,000 warrants expire Jun 19, 2008			
		500,000 warrants expire Aug 30, 2008	826	1,100	0.6
New World Resources Corp.	(iii)	1,425,000 common shares	1,671	1,055	0.6
AMI Resources Inc.	(ii, iii)	2,000,000 common shares			
		2,000,000 warrants expire Dec 21, 2008	400	1,036	0.6
Valencia Ventures Inc.	(ii, iii)	2,500,000 common shares			
		1,500,000 warrants expire Mar 15, 2008	465	1,025	0.6
FieldEx Exploration Inc.	(ii, iii)	2,000,000 common shares			
		2,000,000 warrants expire Nov 29, 2007	300	980	0.5
Murgor Resources Inc.	(iii)	3,850,000 common shares			
		500,000 warrants expire Jun 12, 2008			
		625,000 warrants expire Dec 12, 2008	807	951	0.5
Lateegra Gold Corp.	(iii)	702,000 common shares			
		457,000 warrants expire Oct 13, 2008			
		200,000 warrants expire Nov 30, 2008	601	878	0.5
Silver Quest Resources Ltd.	(iii)	1,000,000 common shares	367	630	0.4
Sable Resources Ltd.	(iii)	600,000 common shares			
		250,000 warrants expire May 17, 2007	251	588	0.3
Total of 102 other investments – Resources (Precious Metals) sector (iv)			54,028	83,805	46.8
			94,392	179,076	100.0
<b>Sector: Resources (Base Metals)</b>					
International Nickel Ventures Corp.	(i, iii)	2,500,000 common shares	3,130	5,500	15.8
Liberty Mines Inc.	(i)	1,750,000 common shares	726	4,778	13.7
Scandinavian Minerals Ltd.	(i)	650,000 common shares	2,641	3,118	8.9
BcMetals Corporation	(i, iii)	2,148,067 common shares			
		100,000 warrants expire Apr 16, 2007	1,992	2,341	6.7
Independent Nickel Corp.	(i, ii, iii)	3,750,000 common shares	1,001	2,138	6.1
War Eagle Mining Co. Inc.	(i, ii, iii)	2,150,000 common shares			
		1,500,000 warrants expire Mar 7, 2008	1,184	1,327	3.8
Geologix Explorations Inc.	(ii, iii)	2,150,000 common shares			
		500,000 warrants expire May 4, 2008	1,597	1,185	3.4
Newport Exploration Ltd.	(ii, iii)	2,865,000 common shares			
		2,400,000 warrants expire Dec 12, 2008	392	815	2.3

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

### 3. Investments (continued):

As at December 31, 2006:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Resources (Base Metals) (continued)</b>					
United Bolero Development Corp. (iii)		3,000,000 common shares			
		1,000,000 warrants expire Mar 23, 2008	1,123	770	2.2
Atlas Moly Inc. (iii)		1,600,000 common shares			
		1,600,000 warrants expire Dec 31, 2007	543	543	1.6
Landrill International Inc. (iii)		2,200,000 common shares			
		250,000 warrants expire Mar 14, 2008			
		150,000 warrants expire Apr 7, 2008			
		500,000 warrants expire Oct 12, 2008	706	533	1.5
Pacific Comox Resources Ltd. (iii)		5,571,428 common shares			
		3,571,428 warrants expire Jun 12, 2008	417	529	1.5
Ungava Minerals Corp. (ii, iii)		1,000,000 common shares			
		1,000,000 warrants expire Jul 4, 2008	500	500	1.4
Total of 20 other investments – Resources (Base Metals) sector (iv)			7,852	10,817	31.1
			23,804	34,894	100.0
<b>Sector: Biotechnology</b>					
GeneNews Limited (formerly ChondroGene Limited) (i, iii)		3,050,000 common shares	3,103	3,172	28.9
Transition Therapeutics Inc. (i)		1,500,000 common shares	1,590	2,295	20.9
Vyteris Holdings Inc. (i, iii)		1,246,666 common shares			
		500,000 warrants expire Nov 8, 2008	494	1,570	14.3
Orthosoft Inc. (i)		1,250,000 common shares	687	925	8.4
Haemacure Corp. (i, ii, iii)		4,231,000 common shares			
		1,000,000 warrants expire Mar 19, 2007	1,446	508	4.6
Total of 6 other investments - Biotechnology sector (iv)			3,780	2,488	22.9
			11,100	10,958	100.0
<b>Sector: Energy Related Technology</b>					
Solomon Technologies, Inc. (i, iii)		5,421,522 common shares			
		US\$150,000 12% promissory note due Jan 15, 2007	1,501	12,616	62.2
Fiber Optics Systems Technology Inc. (i, ii, iii)		2,667,768 common shares	1,985	3,194	15.7
Global Green Solutions Inc. (i, iii)		1,727,743 common shares			
		350,000 class A warrants expire May 5, 2008			
		350,000 class B warrants expire May 5, 2008	465	2,454	12.1
Alternative Energy Sources Inc. (i)		1,000,000 common shares			
		1,000,000 warrants expire Jun 19, 2011	1,114	1,270	6.3
Pantano Energy Services (formerly Enercoil Resources Incorporated) (i)		1,333,333 common shares			
		1,166,666 warrants expire Dec 2, 2007	750	750	3.7
Total of 1 other investment – Energy Related Technology sector (iv)			623	—	—
			6,438	20,284	100.0

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

#### 3. Investments (continued):

As at December 31, 2006:					
Issuer	Note	Security description	Cost	Fair value	% of Sector (FV)
<b>Sector: Technology and Other</b>					
Certicom Corp.	(i)	500,000 common shares	2,396	2,515	6.1
Enghouse Systems Limited	(i)	295,000 common shares	357	2,334	5.6
Fluid Audio Networks, Inc.	(i, iii)	300,000 series A preferred shares 267,357 series B preferred shares 104,000 series C preferred shares 150,000 series C preferred shares	1,501	1,487	3.6
Clearly Canadian Beverage Corporation	(i)	432,934 common shares 333,334 warrants expire Sept 1, 2008	1,373	1,186	2.9
GoFish Corporation	(i)	225,000 common shares 112,500 warrants expire Oct 27, 2011	381	1,151	2.8
Fortress Paper Ltd.	(i)	500,000 common shares	1,000	1,000	2.4
VIQ Solutions Inc.	(i, ii, iii)	6,500,000 common shares	1,173	878	2.1
ShifTV Inc.	(iii)	1,500,000 common shares 750,000 warrants expire Nov 30, 2009	750	750	1.8
Cell-loc Location Technologies Inc.	(iii)	2,749,500 common shares 1,250,000 warrants expire Nov 14, 2007 2,000,000 warrants expire Sept 7, 2008	550	705	1.7
View22 Technology Inc.	(iii)	1,000,000 common shares 500,000 warrants expire Aug 2, 2008	700	700	1.7
Total of 15 other investments – Technology and Other sector (iv)			9,955	28,730	69.3
			20,136	41,436	100.0
<b>Total investments</b>			<b>\$ 290,069</b>	<b>\$ 552,377</b>	

- (i) These investments are in the top five of their respective sector, by fair value, and these investments have a fair value greater than \$500 as at December 31, 2006.
- (ii) The Company has issued a Section 101 report under the Ontario Securities Act for these investments and these investments have a fair value greater than \$500 as at December 31, 2006.
- (iii) The Company owns, on a partially diluted basis, at least a 5% interest in the company and these investments have a fair value greater than \$500 as at December 31, 2006.
- (iv) Total other investments in each sector include all equity investments, warrants, promissory notes and convertible debentures which are not individually listed in their respective sector, held by the Company as at December 31, 2006.

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## **Pinetree Capital Ltd.**

### **Notes to Consolidated Financial Statements**

**March 31, 2007**

**(Unaudited – in thousands of dollars, except for share and per share amounts)**

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#### **4. Contingent liability:**

On November 28, 2005, the Ontario Ministry of Finance ("OMF") issued notices of reassessment to the Company's wholly-owned subsidiary, Genevest, as a result of an audit of income tax returns filed by Genevest for the 2000 and 2001 taxation years. OMF, among other things, disputed the Company's revenue recognition methodology on the disposal of certain investments. As at March 31, 2007, Genevest had a potential amount owing of approximately \$1,019 relating to this reassessment.

Genevest has filed notices of objection within the statutory time frame. The final outcome of the notices of objection is not presently determinable. However, Genevest and Genevest's legal and tax advisors believe the Company will prevail in this matter. Accordingly, the Company has not accrued any provision relating to the income tax potentially owing on the reassessments.

#### **5. Due to brokers:**

Due to brokers consists of margin borrowings collateralized by the Company's investments held at the broker. In the normal course of business, the Company utilizes the margin borrowings to finance its investment activities. Interest is charged on the daily outstanding balance at a rate of the broker's overnight rate plus 1.25%. Pinetree does not hedge against any interest rate increases.

#### **6. Advances from affiliated company:**

As at March 31, 2007, the Company had advances from PowerOne Capital Markets Limited ("PowerOne") of \$6,578 (December 31, 2006 - \$78). The Company owns a 50% interest in PowerOne, an Ontario limited market dealer. These advances bear no interest, are unsecured and are due on demand.

#### **7. Promissory Note:**

On September 1, 2006, the Company purchased 5,000,000 shares of Mega Uranium Ltd. ("Mega") for a total cost of \$21,250 from Brownstone Ventures Inc. ("Brownstone"), a company with a common director and common officers of the Company and a reporting issuer trading on the TSX Venture Exchange under the symbol "BWN". The Company paid \$2,125 in cash and signed a Promissory Note for \$19,125. The Promissory Note is collateralized against the Mega shares, bears interest at 9% per annum, payable quarterly, and matures on January 31, 2008. During the three months ended March 31, 2007, the Company repaid \$5,000 of the Promissory Note. Included in the consolidated statements of operations is \$391 of interest expense charged by Brownstone during the three months ended March 31, 2007.

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## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

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#### 8. Related party transactions:

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party transactions were as follows during the three months ended March 31:

Type of service	Nature of relationship	2007	2006
Consulting fees	Director, shareholders, and officers	\$ 184	\$ 92
Consulting bonuses (a)	Director, shareholder, and officer	9,822	2,171
Director fees	Directors	6	8
Interest expense	Affiliated companies	391	72
Dividend income	Affiliated company	—	128
Other income (b)	Affiliated companies	143	1,740

- (a) 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 on the Company's non-limited market dealer business plus a bonus equal to 10% of any of the limited market dealer's business' net realized profit. Included in operating, general and administrative expenses is \$9,822 (three months ended March 31, 2006 - \$2,171) relating to this bonus.
- (b) Other income includes consulting, sublease, and services agreements of approximately \$143 (three months ended March 31, 2006 - \$1,740) from companies in which Pinetree has an investment interest. 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.
- (c) The Company has promissory notes totaling \$86 (December 31, 2006 - \$86) owing from an officer of the Company. The promissory notes are unsecured and interest free.
- (d) Included in accounts payable and accrued liabilities as at March 31, 2007 is \$9,843 (December 31, 2006 - \$6,609) owing to related parties.

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

#### 9. Share capital:

Authorized: Unlimited number of common shares, no par value

Issued and outstanding common shares (a):

	# of Shares	Amount
<b>Balance, December 31, 2005</b>	59,403,400	\$ 25,433
Issued pursuant to exercise of stock options	3,169,992	6,644
Issued pursuant to exercise of Broker Warrants	907,920	2,730
Issued pursuant to private placement financing, net	14,222,400	31,336
Issued pursuant to private placement financing, net	9,200,000	32,689
<b>Balance, December 31, 2006</b>	86,903,712	\$ 98,832
Issued pursuant to exercise of stock options (b)	<b>115,200</b>	<b>223</b>
Issued pursuant to exercise of Broker Warrants (c)	<b>112,080</b>	<b>255</b>
Cancellation of dissenting shares from Pinetree/Genevest merger in fiscal year 2004	<b>(1,309,028)</b>	—
<b>Balance, March 31, 2007</b>	<b>85,821,964</b>	<b>\$ 99,310</b>

- (a) The Company effected a two-for-one stock split by issuing a stock dividend of one common share for every common share outstanding on the close of business on July 19, 2006. The Company effected another two-for-one stock split by issuing a stock dividend of one common share for every common share outstanding on the close of business on April 5, 2007. All current figures and comparative figures reflect both stock splits, retroactively.
- (b) During the three months ended March 31, 2007, 115,200 stock options were exercised at prices between \$0.53 and \$1.75 per share for total proceeds of \$143. Pursuant to the exercise of stock options, amounts in contributed surplus were reallocated to share capital by \$80.
- (c) During the three months ended March 31, 2007, 112,080 Broker Warrants were exercised at prices between \$2.25 and \$3.75 per share for total proceeds of \$255.
- (d) Stock options granted:

Date Granted	Options Granted	Exercise Price	Expiry
February 5, 2007	190,000	\$ 9.74	February 4, 2012
Total granted	190,000		

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.

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements**

March 31, 2007

**(Unaudited – in thousands of dollars, except for share and per share amounts)**

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**9. Share capital (continued):**

The fair value of the options granted during the three months ended March 31, 2007 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	<b>72.8%</b>
Expected dividend yield	<b>n/a</b>
Risk-free interest rate	<b>4.50%</b>
Expected option life in years	<b>3</b>
Fair value per stock option granted on February 5, 2007	<b>\$ 5.28</b>

For the three months ended March 31, 2007, included in stock-based compensation is \$104 (three months ended March 31, 2006 - \$2,571) relating to the stock options granted during the period and \$228 (three months ended March 31, 2006 - \$126) relating to stock options granted in prior years to directors, officers, employees and consultants of the Company.

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

	<b>Amount</b>
<b>Balance, December 31, 2005</b>	\$ 1,908
Stock-based compensation	5,355
Exercise of stock options	(2,345)
<b>Balance, December 31, 2006</b>	4,918
Stock-based compensation	<b>332</b>
Exercise of stock options	<b>(80)</b>
<b>Balance, March 31, 2007</b>	<b>\$ 5,170</b>

(f) As at March 31, 2007, the Company had 5,709,932 stock options outstanding exercisable at prices ranging from \$0.30 to \$9.74 per share and expiring between April 6, 2008 and February 4, 2012. The Company also has outstanding 40,000 Broker Warrants exercisable at \$2.25 per share expiring September 14, 2007.

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## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited – in thousands of dollars, except for share and per share amounts)

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#### 10. Lease commitments:

Future minimum annual lease payments under operating leases for equipment and premises are approximately as follows:

2007	\$	486
2008		649
2009		649
2010		649
2011		681
2012		681
2013		681
	\$	4,476

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#### 11. Financial instruments:

(a) Risk management

Pinetree is dependent upon the personal efforts and commitment of its existing and new management, who are responsible for risk management and the future development of Pinetree's business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Pinetree could result, and other persons would be required to manage and operate Pinetree.

Market risks - Unfavourable economic conditions may negatively impact the Company's ability to generate new investment opportunities. The Company manages market risk by having a diversified portfolio which is not singularly exposed to any one or class of issuers. The Company's investment activities are currently concentrated primarily in the natural resource industry which is focused among several sectors: uranium, oil and gas, molybdenum, base metals and precious metals sectors. To minimize over exposure, Pinetree has set thresholds on purchases of private placements which require the approval of the board of directors.

Cash flow/revenue – The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to the Company, or if the value of the Company's investments decline resulting in capital losses upon disposition. The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. The Company has sufficient marketable securities which are freely-tradable and relatively liquid to fund its obligations as they become due under normal operating conditions. The Company also has a line of credit with its bank and the use of margin accounts with its brokers.

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## **Pinetree Capital Ltd.**

### **Notes to Consolidated Financial Statements**

**March 31, 2007**

**(Unaudited – in thousands of dollars, except for share and per share amounts)**

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#### **11. Financial instruments (continued):**

Foreign exchange/currency of operations - Pinetree's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations. Pinetree has margin borrowings denominated in U.S dollars, Australian dollars, South African Rands, and Great Britain Pounds. A decrease in the foreign exchange rate of the Canadian dollar versus the foreign exchange currency would increase the Company's obligations due to brokers. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency borrowings. Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange-denominated investments.

Interest and credit risk – Certain of the Company's investments are exposed to the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. The Company believes it is not significantly exposed to interest or credit risk as these investments are less than 1% of the Company's total investments.

#### **(b) Fair value measurement and valuation methods**

At each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

#### **(i) Publicly-traded investments:**

1. Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing bid prices at the consolidated balance sheet dates or the closing bid price on the last day the security traded if there were no trades at the consolidated balance sheet dates.
2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value.
3. In determining the discount for such investments, the Company considers the nature and length of the restriction.
4. Options and warrants of publicly-traded securities which do not have a quoted bid price are carried at the difference between the exercise price and the quoted closing bid price of the underlying securities, if the exercise price is lower than the quoted closing bid price. Otherwise, such options and warrants are carried at nil.

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## **Pinetree Capital Ltd.**

### **Notes to Consolidated Financial Statements**

**March 31, 2007**

**(Unaudited – in thousands of dollars, except for share and per share amounts)**

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#### **11. Financial instruments (continued):**

(ii) Privately-held investments:

1. Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value. Downward adjustments to carrying value are made when there is evidence of other than a temporary decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition.
2. Options and warrants of privately-held securities are carried at cost unless there is an upward or downward adjustment supported by pervasive and objective evidence such as significant subsequent equity financing by an unrelated, professional investor at a transaction price higher or lower than the Company's carrying value.

(iii) Other investment instruments:

Included in Pinetree's investments are certain instruments that are accounted for as follows:

1. Convertible debentures and convertible notes are carried as though converted to common shares.
2. Cumulative dividends expected to be received are included in the fair value of each investment.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's publicly-traded investments could be disposed of currently may differ from carrying value based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. The amounts at which the Company's privately-held investments could be disposed of currently may differ from the carrying value assigned, as a substantial period of time may have elapsed since the latest third party equity financing.

(c) Revenue recognition:

Security transactions are recorded on a settlement basis. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of operations and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed as incurred.

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## **Pinetree Capital Ltd.**

### **Notes to Consolidated Financial Statements**

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**(Unaudited – in thousands of dollars, except for share and per share amounts)**

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#### **11. Financial instruments (continued):**

Dividend income is recorded on the ex-dividend date. Interest income and other income are recorded on an accrual basis. Deferred revenue is recognized over the period for which the revenue is earned.

#### **12. Subsequent events:**

- (a) Subsequent to March 31, 2007, the Company repaid with interest the remaining balance of the Promissory Note from Brownstone (note 7).
- (b) Subsequent to March 31 2007, 252,184 stock options were exercised at prices ranging from \$0.30 to \$1.75 per share for total proceeds of \$183.
- (c) Subsequent to March 31, 2007, 40,000 Broker Warrants were exercised at \$2.25 per share for total proceeds of \$90.
- (d) Subsequent to March 31, 2007, the Company completed a brokered financing of 10,000,000 Units of the Company at a price of \$12.13 per Unit for aggregate gross proceeds of \$121,300. Each Unit was comprised of one common share of Pinetree and one-half of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to acquire one common share at a price of \$15.00 per share until expiry on April 16, 2012. A cash commission of \$6,672 and 550,000 Broker Warrants were issued to agents as consideration in connection with the financing. Each Broker Warrant entitles the holder to acquire one common share of Pinetree at a price of \$12.13 per share expiring on April 16, 2009.
- (e) Subsequent to March 31, 2007, the Company granted 1,017,500 stock options exercisable at \$13.02 per share expiring on April 26, 2012.