

**Consolidated Financial Statements of**

**Pinetree Capital Ltd.**

(Unaudited)

**June 30, 2007**

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**PINETREE CAPITAL LTD.**  
**Consolidated Balance Sheets**  
**As At June 30, 2007 And December 31, 2006**  
**(Unaudited - in thousands of dollars)**

	<u>June 30, 2007</u>	<u>December 31, 2006</u> (audited)
<b>Assets</b>		
Investments, at fair value (note 3)	\$ 809,031	\$ 552,377
Cash and cash equivalents	-	175
Prepays and other receivables (note 9(c))	189	917
Capital assets, net	849	359
	<u>\$ 810,069</u>	<u>\$ 553,828</u>
<b>Liabilities and Shareholders' Equity</b>		
Due to brokers (note 5)	\$ 158,812	\$ 57,571
Bank indebtedness, net (note 6)	961	-
Accounts payable and accrued liabilities (note 9(e))	14,273	7,861
Advances from affiliated company (note 7)	8,078	78
Promissory notes (notes 8 and 9(d))	42,500	19,271
Income taxes payable	28,481	14,095
	<u>253,105</u>	<u>98,876</u>
<b>Future tax liabilities</b>	<u>62,131</u>	<u>87,122</u>
	<u>315,236</u>	<u>185,998</u>
<b>Shareholders' equity</b>		
Share capital (note 10)	185,347	98,832
Warrants and Broker Warrants (note 10(d))	40,543	-
Contributed surplus (note 10(f))	1,949	4,918
Retained earnings	266,994	264,080
	<u>494,833</u>	<u>367,830</u>
	<u>\$ 810,069</u>	<u>\$ 553,828</u>

See accompanying notes to the consolidated financial statements.

**PINETREE CAPITAL LTD.****Consolidated Statements of Operations****Three And Six Months Ended June 30,****(Unaudited - in thousands of dollars, except per share amounts)**

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Net investment gains (losses)</b>				
Gain on disposal of investments, net	\$ 76,768	\$ 19,269	\$ 173,531	\$ 39,159
Unrealized gains (losses) on investments, net	(127,914)	(37,371)	(137,300)	41,237
	<u>(51,146)</u>	<u>(18,102)</u>	<u>36,231</u>	<u>80,396</u>
<b>Other revenue</b>				
Interest and dividend income	37	42	66	199
Other income (note 9(b))	151	465	294	2,506
	<u>(50,958)</u>	<u>(17,595)</u>	<u>36,591</u>	<u>83,101</u>
<b>Expenses</b>				
Operating, general and administrative (note 9)	10,419	3,125	21,939	5,955
Transaction costs	1,579	-	2,918	-
Stock-based compensation (note 10(e))	1,202	2,167	1,534	4,864
Foreign exchange gain	(803)	(726)	(1,194)	(742)
Amortization	26	1	47	2
Interest (notes 5 and 8(c))	1,785	584	3,132	1,277
	<u>14,208</u>	<u>5,151</u>	<u>28,376</u>	<u>11,356</u>
<b>Income (loss) before income taxes</b>	<u>(65,166)</u>	<u>(22,746)</u>	<u>8,215</u>	<u>71,745</u>
<b>Provision for (recovery of) income taxes</b>	<u>(20,900)</u>	<u>(4,422)</u>	<u>5,301</u>	<u>23,716</u>
<b>Net income (loss) for the period</b>	<u>\$ (44,266)</u>	<u>\$ (18,324)</u>	<u>\$ 2,914</u>	<u>\$ 48,029</u>
<b>Earnings (loss) per common share (note 10(a))</b>				
Basic	\$ (0.47)	\$ (0.22)	\$ 0.03	\$ 0.67
Diluted	\$ (0.47)	\$ (0.22)	\$ 0.03	\$ 0.63
<b>Weighted average number of common shares outstanding (note 10(a))</b>				
Basic	94,793,748	81,519,136	90,318,845	71,881,236
Diluted	94,793,748	81,519,136	94,358,430	76,542,052

See accompanying notes to the consolidated financial statements.

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**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Retained Earnings**  
**Six Months Ended June 30,**  
**(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>2,914</u>	<u>48,029</u>
Retained earnings, end of period	\$ 266,994	\$ 131,473

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See accompanying notes to the consolidated financial statements.

**PINETREE CAPITAL LTD.**  
**Consolidated Statements of Cash Flows**  
**Three And Six Months Ended June 30,**  
**(Unaudited - in thousands of dollars)**

	Three Months Ended		Six Months Ended	
	2007	2006	2007	2006
<b>Cash flows from (used in) operating activities</b>				
Net income (loss) for the period	\$ (44,266)	\$ (18,324)	\$ 2,914	\$ 48,029
Items not affecting cash				
Gain on disposal of investments, net	(76,768)	(19,269)	(173,531)	(39,159)
Unrealized losses (gains) on investments, net	127,914	37,371	137,300	(41,237)
Amortization	26	1	47	2
Stock-based compensation expense	1,202	2,167	1,534	4,864
Future income taxes	(27,067)	(4,136)	(24,991)	19,758
	(18,959)	(2,190)	(56,727)	(7,743)
Changes in non-cash working capital balances related to operations				
Prepays and other receivables	101	521	728	57
Accounts payable and accrued liabilities	3,626	1,207	6,412	1,829
Deferred revenue	-	(297)	-	(599)
Income taxes payable	(9,436)	(587)	14,386	3,356
Interest payable on promissory note	38	-	-	-
	(24,630)	(1,346)	(35,201)	(3,100)
<b>Cash flows from (used in) financing activities</b>				
Proceeds from issue of share capital pursuant to private placements, net	114,364	32,689	114,364	64,025
Proceeds from issue of share capital pursuant to exercise of stock options	7,702	2,849	7,845	3,095
Proceeds from issue of share capital pursuant to exercise of warrants	90	-	345	-
Loan from officer	-	-	-	(1,976)
Promissory notes	28,229	-	23,229	-
Advances from affiliated company	1,500	78	8,000	(937)
	151,885	35,616	153,783	64,207
<b>Cash flows from (used in) investing activities</b>				
Purchase of capital assets, net	(189)	(3)	(537)	(3)
Due to brokers	33,307	(3,700)	101,241	2,307
Short-term loan payable	-	-	-	(2,600)
Purchase of investments	(354,073)	(79,577)	(591,375)	(147,969)
Proceeds on disposal of investments	192,597	48,748	370,953	89,817
	(128,358)	(34,532)	(119,718)	(58,448)
<b>Net increase (decrease) in cash and cash equivalents, during the period</b>	(1,103)	(262)	(1,136)	2,659
<b>Cash and cash equivalents (bank indebtedness), beginning of period</b>	142	603	175	(2,318)
<b>Cash and cash equivalents (bank indebtedness), end of period</b>	\$ (961)	\$ 341	\$ (961)	\$ 341
<b>Supplemental cash flow information</b>				
Income taxes paid	\$ 15,602	\$ 300	\$ 15,905	\$ 601
Interest paid	1,893	584	3,132	1,277

See accompanying notes to the consolidated financial statements.

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# **Pinetree Capital Ltd.**

## **Notes to Consolidated Financial Statements**

**June 30, 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 at 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 at the close of business on April 5, 2007. All current and comparative figures reflect both stock splits, retroactively.

### **2. Significant accounting policies:**

Management has prepared these 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 June 30, 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 are prepared in Canadian dollars and 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

June 30, 2007

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

#### 3. Investments:

(a) Investments consist of the following as at June 30, 2007 by sector:

As at June 30, 2007:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium)</b>					
Mega Uranium Ltd.	(i, ii, iii)	7,055,470 common shares 600 warrants expire Feb 13, 2012 150,000 warrants expire Feb 22, 2012 490,498 warrants expire Jun 6, 2012	\$ 29,882	\$ 39,119	18.5
Continental Precious Minerals Inc.	(i, ii, iii)	3,802,669 common shares 1,250,000 warrants expire Apr 17, 2008			
Dejour Enterprises Ltd.	(i, iii)	115,385 warrants expire Nov 28, 2008 4,350,000 common shares US\$197,846 convertible debenture 250,000 warrants expire Dec 31, 2007	9,037	11,218	5.3
		250,000 warrants expire May 25, 2009	8,355	10,635	5.0
Nu Energy Uranium Corporation	(i, iii)	1,707,400 common shares	3,265	6,984	3.3
Universal Uranium Ltd.	(i, ii, iii)	4,156,000 common shares	4,398	5,860	2.8
Ditem Explorations Inc.	(ii, iii)	3,879,300 common shares	2,760	5,114	2.4
Rockgate Capital Corp.	(ii, iii)	1,250,000 common shares 1,250,000 warrants expire Jul 10, 2008			
		500,000 warrants expire Apr 25, 2009	1,143	5,075	2.4
Silver Spruce Resources Inc.	(ii, iii)	2,800,700 common shares	3,724	4,640	2.2
Cue Capital Corp.	(ii, iii)	2,214,500 common shares 625,000 warrants expire Nov 27, 2007			
			2,671	4,529	2.1
Benton Resources Corp.	(iii)	2,861,500 common shares	2,621	4,464	2.1
Strategic Metals Ltd.	(ii, iii)	5,500,000 common shares	3,128	4,250	2.0
Alberta Star Development Corp.	(iii)	3,950,050 common shares 350,000 warrants expire Oct 25, 2007			
		162,500 warrants expire Apr 18, 2008	6,921	3,990	1.9
Red Hill Energy Inc.	(iii)	2,866,381 common shares 250,000 warrants expire Apr 3, 2008			
		250,000 warrants expire Dec 7, 2008	2,045	3,889	1.8
Uracan Resources Ltd.	(iii)	3,367,000 common shares			

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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Ucore Uranium Inc.	(iii)	250,000 warrants expire Jun 20, 2009 2,926,000 common shares 275,000 warrants expire Jun 15, 2008	<b>3,608</b>	<b>3,520</b>	<b>1.7</b>
Delta Exploration Inc.	(ii, iii)	750,000 warrants expire Mar 23, 2009 2,550,000 common shares 800,000 warrants expire Jul 10, 2008	<b>3,532</b>	<b>3,309</b>	<b>1.6</b>
Centram Exploration Ltd.	(ii, iii)	500,000 warrants expire May 1, 2009 2,500,000 common shares	<b>3,992</b>	<b>3,196</b>	<b>1.5</b>
Kilgore Minerals Ltd.	(ii, iii)	1,250,000 warrants expire Apr 10, 2009 2,225,000 common shares	<b>1,000</b>	<b>3,078</b>	<b>1.5</b>

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 2007

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

### 3. Investments (continued):

As at June 30, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium) (continued)</b>					
Mawson Resources Ltd.	(iii)	1,344,400 common shares 100,000 warrants expire Feb 6, 2008 152,500 warrants expire Apr 28, 2008  200,000 warrants expire Dec 27, 2008	<b>1,804</b>	<b>2,950</b>	<b>1.4</b>
Energy Ventures Ltd.	(iii)	11,250,000 common shares	<b>2,468</b>	<b>2,946</b>	<b>1.4</b>
RPT Uranium Corp.	(iii)	3,500,000 common shares 1,000,000 warrants expire Jun 8, 2008  1,000,000 warrants expire Jun 12, 2008	<b>1,697</b>	<b>2,412</b>	<b>1.1</b>
Oklo Uranium Limited	(iii)	9,000,000 common shares	<b>1,496</b>	<b>2,275</b>	<b>1.1</b>
Cline Mining Corp.	(ii, iii)	7,007,600 common shares	<b>3,840</b>	<b>2,137</b>	<b>1.0</b>
Trigon Uranium Corp.	(ii, iii)	3,669,000 common shares 250,000 warrants expire Apr 27, 2008  312,500 warrants expire Dec 11, 2008	<b>2,281</b>	<b>1,969</b>	<b>0.9</b>
Neutron Energy, Inc.	(iii)	1,000,000 common shares US\$165,000 series B convertible debenture US\$680,000 series B convertible debenture	<b>2,086</b>	<b>1,962</b>	<b>0.9</b>
Southampton Ventures Inc.	(ii, iii)	1,190,800 common shares	<b>1,036</b>	<b>1,881</b>	<b>0.9</b>
West High Yield Resources Ltd.	(ii, iii)	500,000 warrants expire Mar 22, 2009 3,200,000 common shares	<b>2,072</b>	<b>1,728</b>	<b>0.8</b>
Calypso Acquisition Corp.	(ii, iii)	1,500,000 warrants expire May 9, 2009 1,990,000 common shares	<b>1,770</b>	<b>1,714</b>	<b>0.8</b>
Uranium City Resources Inc.	(ii, iii)	1,000,000 warrants expire Mar 9, 2009 5,400,000 common shares 1,000,000 warrants expire Oct 20, 2007	<b>2,489</b>	<b>1,709</b>	<b>0.8</b>
Magnum Uranium Corp.	(iii)	2,000,000 warrants expire May 24, 2008 2,214,285 common shares	<b>2,255</b>	<b>1,615</b>	<b>0.8</b>
Dios Exploration Inc.	(ii, iii)	357,142 warrants expire Mar 3, 2009 3,711,000 common shares 264,000 warrants expire Mar 15, 2008 666,500 warrants expire Mar 30, 2008  800,000 warrants expire May 2, 2008	<b>2,482</b>	<b>1,434</b>	<b>0.7</b>

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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Forum Uranium Corp.	(iii)	3,004,000 common shares			
		827,000 warrants expire Mar 23, 2008	<b>2,047</b>	<b>1,324</b>	<b>0.6</b>
Signet Minerals Inc.	(ii, iii)	1,956,061 common shares			
		250,000 warrants expire Nov 29, 2007	<b>592</b>	<b>1,311</b>	<b>0.6</b>
Uranium North Resources Corp.	(iii)	1,317,000 common shares			
		583,500 warrants expire Dec 6, 2007	<b>1,026</b>	<b>1,106</b>	<b>0.5</b>
Max Resource Corp.	(iii)	1,180,000 common shares			
		590,000 warrants expire Nov 24, 2008	<b>1,180</b>	<b>1,096</b>	<b>0.5</b>

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 2007

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

### 3. Investments (continued):

As at June 30, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Uranium) (continued)</b>					
Aldershot Resources Ltd.	(iii)	3,000,000 common shares 3,000,000 warrants expire Apr 26, 2009	810	1,000	0.5
Total of 63 other investments – Resources (Uranium) sector (iv)			55,025	52,608	25.1
			181,919	211,118	100.0
<b>Sector: Resources (Oil &amp; Gas)</b>					
Connacher Oil & Gas Ltd.	(i)	5,500,000 common shares	20,798	20,130	26.0
MegaWest Energy Corp.	(i, iii)	4,170,000 common shares 325,000 warrants expire Jan 5, 2008			
		1,125,000 warrants expire Feb 28, 2008	3,211	10,408	13.4
Brownstone Ventures Inc.	(i, ii, iii)	5,803,159 common shares			
		975,000 warrants expire Jul 19, 2008	5,456	10,039	13.0
Canoro Resources Ltd.	(i, iii)	4,124,000 common shares 292,400 warrants expire Jul 25, 2007	3,923	2,969	3.8
Bankers Petroleum Ltd.	(i)	5,000,000 common shares	3,344	2,693	3.5
ISX Resources Inc.	(ii, iii)	1,299,900 common shares 1,250,000 warrants expire Apr 20, 2008	487	2,409	3.1
Vulcan Minerals Inc.	(iii)	2,728,000 common shares	1,519	1,691	2.2
Bontan Corporation Inc.	(ii, iii)	3,112,000 common shares 2,000,000 warrants expire Mar 27, 2008	977	1,376	1.8
West Africa Energy Inc.	(ii)	3,074,371 common shares			
		1,111,111 warrants expire Mar 29, 2009	1,049	1,371	1.8
Shoreham Resources Ltd.	(ii, iii)	2,500,000 common shares 2,500,000 warrants expire Sep 28, 2008	625	1,220	1.6
Unbridled Energy Corp.	(iii)	2,000,000 common shares 2,000,000 warrants expire Apr 27, 2009	1,000	1,104	1.4
Total of 41 other investments – Resources (Oil & Gas) sector (iv)			26,978	22,003	28.4
			69,367	77,413	100.0
<b>Sector: Resources (Molybdenum)</b>					
Moly Mines Limited	(i)	2,600,000 common shares	7,703	9,100	21.4
Virgin Metals Inc.	(i, ii, iii)	9,000,500 common shares 1,750,000 warrants expire Apr 19, 2009	4,747	5,313	12.5
Erdene Gold Inc.	(i, iii)	3,300,200 common shares	4,482	4,950	11.6

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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Georgia Ventures Inc.	(i, iii)	7,000,000 common shares	<b>5,180</b>	<b>4,492</b>	<b>10.5</b>
Galway Resources Ltd.	(i, iii)	2,525,000 common shares	<b>3,639</b>	<b>3,535</b>	<b>8.3</b>
Western Troy Capital Resources Inc	(ii, iii)	3,408,333 common shares			
		1,666,667 warrants expire Apr 19, 2009	<b>2,067</b>	<b>2,648</b>	<b>6.2</b>
Tenajon Resources Corp.	(iii)	3,250,000 common shares	<b>2,885</b>	<b>1,983</b>	<b>4.7</b>
Sultan Minerals Inc.	(iii)	5,772,800 common shares			
		1,136,400 warrants expire Nov 10, 2008	<b>1,898</b>	<b>1,959</b>	<b>4.6</b>

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 2007

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

### 3. Investments (continued):

As at June 30, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Molybdenum) (continued)</b>					
Pacific Comox Resources Ltd.	(ii, iii)	13,002,428 common shares			
		3,571,428 warrants expire Jun 12, 2008	1,553	1,715	4.0
Torch River Resources Ltd.	(ii, iii)	4,700,000 common shares			
		2,500,000 warrants expire Apr 5, 2009	2,481	1,623	3.8
Total of 9 other investments – Resources (Molybdenum) sector (iv)			6,174	5,286	12.4
			42,809	42,604	100.0
<b>Sector: Resources (Precious Metals)</b>					
High River Gold Mines Ltd.	(i)	5,155,000 common shares			
		70,000 warrants expire Jan 27, 2008	10,555	14,351	5.1
Gold Eagle Mines Ltd.	(i)	2,100,000 common shares	11,559	13,587	4.8
Aquiline Resources Inc.	(i)	1,023,600 common shares	2,456	11,180	4.0
East Asia Minerals Corp.	(i, ii, iii)	4,803,500 common shares			
		75,000 warrants expire Oct 27, 2007	4,690	8,406	3.0
Solitario Resources Corp.	(i, iii)	1,500,000 common shares	2,668	7,440	2.6
Caledonia Mining Corporation	(iii)	36,640,637 common shares	7,075	5,496	2.0
Unigold Inc.	(ii, iii)	6,000,000 common shares			
		1,000,000 warrants expire Jul 11, 2007	2,752	5,270	1.9
Aranka Gold Inc.	(iii)	1,307,194 common shares			
		235,294 warrants expire Dec 22, 2007	1,945	5,235	1.9
Longview Capital Partners Inc.	(iii)	4,469,300 common shares			
		1,000,000 warrants expire May 14, 2008			
		1,000,000 warrants expire Mar 15, 2009	4,546	5,112	1.8
Valencia Ventures Inc.	(ii, iii)	6,834,000 common shares			
		1,500,000 warrants expire Mar 15, 2008	2,679	4,691	1.7
Nortec Ventures Corp.	(ii, iii)	9,200,000 common shares			
		4,300,000 warrants expire Aug 30, 2007	2,025	4,079	1.4
Goldcrest Resources Ltd.	(iii)	3,412,000 common shares	2,391	4,026	1.4
Largo Resources Ltd.	(iii)	3,355,000 common shares			
		1,500,000 warrants expire Mar 28, 2008			
		927,500 warrants expire Oct 23, 2008	1,170	3,622	1.3

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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Cypress Development Corp.	(iii)	9,000,000 common shares	<b>4,721</b>	<b>3,375</b>	<b>1.2</b>
Golden Goose Resources Inc.	(ii, iii)	3,717,000 common shares			
		250,000 warrants expire Mar 26, 2008	<b>2,896</b>	<b>3,067</b>	<b>1.1</b>
Noront Resources Ltd.	(ii, iii)	4,430,000 common shares			
		1,125,000 warrants expire Jan 5, 2008			
		1,250,000 warrants expire Dec 20, 2008	<b>1,730</b>	<b>2,941</b>	<b>1.0</b>
Tri Origin Exploration Ltd.	(ii, iii)	3,016,400 common shares	<b>824</b>	<b>2,926</b>	<b>1.0</b>
Latin American Minerals Inc.	(ii, iii)	3,750,000 common shares			
		1,000,000 warrants expire May 31, 2008	<b>3,768</b>	<b>2,914</b>	<b>1.0</b>
MacArthur Minerals Ltd.	(ii, iii)	1,973,700 common shares			
		500,000 warrants expire Dec 11, 2008	<b>1,721</b>	<b>2,833</b>	<b>1.0</b>

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 2007

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

### 3. Investments (continued):

As at June 30, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Olivut Resources Ltd.	(ii)	1,889,700 common shares			
		262,500 warrants expire May 14, 2009	<b>2,830</b>	<b>2,785</b>	<b>1.0</b>
Castillian Resources Corp.	(iii)	4,551,856 common shares 500,000 warrants expire Jun 22, 2008			
		1,142,500 warrants expire Apr 9, 2009	<b>3,218</b>	<b>2,735</b>	<b>1.0</b>
Pacific North West Capital Corp.	(iii)	3,899,500 common shares			
		1,650,000 warrants expire Dec 1, 2008	<b>1,950</b>	<b>2,652</b>	<b>0.9</b>
Valgold Resources Ltd.	(ii, iii)	5,350,000 common shares			
		2,500,000 warrants expire May 4, 2008	<b>1,965</b>	<b>2,568</b>	<b>0.9</b>
Continuum Resources Ltd.	(iii)	5,500,000 common shares			
		750,000 warrants expire Jan 18, 2008	<b>2,144</b>	<b>2,525</b>	<b>0.9</b>
FieldEx Exploration Inc.	(ii, iii)	4,000,000 common shares	<b>700</b>	<b>2,520</b>	<b>0.9</b>
Christopher James Gold Corp.	(iii)	2,605,000 common shares 225,000 warrants expire Jun 19, 2008			
		500,000 warrants expire Aug 30, 2008	<b>1,126</b>	<b>2,353</b>	<b>0.8</b>
Global Minerals Ltd.	(iii)	6,000,000 common shares 2,000,000 warrants expire Apr 21, 2008			
		1,500,000 warrants expire Mar 1, 2009	<b>1,954</b>	<b>2,262</b>	<b>0.8</b>
Opel International Inc.	(iii)	2,020,994 common shares			
		1,000,000 warrants expire May 11, 2010	<b>1,333</b>	<b>1,887</b>	<b>0.7</b>
African Gold Group Inc.	(iii)	4,680,000 common shares			
		550,000 warrants expire Mar 13, 2009	<b>1,876</b>	<b>1,876</b>	<b>0.7</b>
NioGold Mining Corp.	(ii, iii)	2,070,000 common shares			
		985,000 warrants expire Oct 24, 2008	<b>1,884</b>	<b>1,859</b>	<b>0.7</b>
Fury Explorations Ltd.	(iii)	8,564,091 common shares			
		250,000 warrants expire Sep 20, 2008	<b>1,816</b>	<b>1,718</b>	<b>0.6</b>
Arctic Star Diamond Corp.	(iii)	1,889,500 common shares 2,500,000 warrants expire Oct 27, 2008			
		1,009,091 warrants expire Feb 21, 2009	<b>2,575</b>	<b>1,670</b>	<b>0.6</b>
Sienna Gold Inc.	(iii)	1,970,000 common shares			
		750,000 warrants expire Nov 1, 2007	<b>1,427</b>	<b>1,606</b>	<b>0.6</b>

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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Niblack Mining Corp.	(iii)	4,000,000 common shares 135,000 warrants expire Sep 2, 2007 250,000 warrants expire Nov 1, 2007			
MacMillian Gold Corp.	(ii, iii)	350,000 warrants expire Sep 15, 2008 1,950,000 common shares	<b>1,362</b>	<b>1,599</b>	<b>0.6</b>
		2,000,000 warrants expire Sep 27, 2008	<b>1,400</b>	<b>1,563</b>	<b>0.6</b>
Scimitar Resources Limited	(iii)	2,000,000 common shares	<b>1,417</b>	<b>1,532</b>	<b>0.5</b>
Portal Resources Ltd.	(ii, iii)	6,500,000 common shares			
		25,000 warrants expire Nov 18, 2007	<b>1,334</b>	<b>1,520</b>	<b>0.5</b>

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 2007

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

### 3. Investments (continued):

As at June 30, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Precious Metals) (continued)</b>					
Murgor Resources Inc.	(iii)	1,000,000 common shares 500,000 warrants expire Jun 12, 2008			
		625,000 warrants expire Dec 12, 2008	<b>2,014</b>	<b>1,495</b>	<b>0.5</b>
Maudore Minerals Ltd.	(iii)	1,100,000 common shares 250,000 warrants expire Dec 7, 2007	<b>760</b>	<b>1,352</b>	<b>0.5</b>
WSR Gold Inc.	(iii)	3,700,000 common shares	<b>1,916</b>	<b>1,295</b>	<b>0.5</b>
Goldrush Resources Ltd.	(ii, iii)	5,000,000 common shares			
		2,500,000 warrants expire Sep 20, 2008	<b>1,488</b>	<b>1,265</b>	<b>0.4</b>
Silver Reserve Corp.	(iii)	1,750,000 common shares 1,700,000 common shares			
		1,750,000 warrants expire Dec 31, 2007	<b>1,312</b>	<b>1,253</b>	<b>0.4</b>
Diamondex Resources Ltd.	(iii)	4,500,000 common shares 500,000 warrants expire May 4, 2008	<b>315</b>	<b>1,248</b>	<b>0.4</b>
Crusader Holdings Limited	(iii)	2,000,000 common shares	<b>540</b>	<b>1,210</b>	<b>0.4</b>
Corex Gold Corp.	(ii, iii)	1,600,000 common shares			
		800,000 warrants expire Jun 6, 2009	<b>1,440</b>	<b>1,191</b>	<b>0.4</b>
Kinbauri Gold Corp.	(iii)	2,000,000 common shares			
		2,000,000 warrants expire Sep 30, 2008	<b>1,000</b>	<b>1,164</b>	<b>0.4</b>
Andover Ventures Inc.	(iii)	1,500,000 common shares 750,000 warrants expire Apr 17, 2009	<b>975</b>	<b>1,123</b>	<b>0.4</b>
Merrex Gold Inc.	(iii)	1,500,000 common shares			
		750,000 warrants expire Dec 7, 2008	<b>1,425</b>	<b>1,102</b>	<b>0.4</b>
Evolving Gold Corp.	(ii, iii)	2,500,000 common shares 2,500,000 warrants expire Apr 26, 2009	<b>625</b>	<b>1,095</b>	<b>0.4</b>
Madison Minerals Inc.	(iii)	2,800,000 common shares 500,000 warrants expire Dec 7, 2007			
		250,000 warrants expire Oct 11, 2008	<b>1,782</b>	<b>1,092</b>	<b>0.4</b>
Golden Arrow Resources Corp.	(iii)	1,000,000 common shares			
		500,000 warrants expire Jun 12, 2008	<b>1,250</b>	<b>1,052</b>	<b>0.4</b>
Luna Gold Corp.	(iii)	1,850,000 common shares 375,000 warrants expire Jul 31, 2008			
		250,000 warrants expire Dec 28, 2008	<b>1,039</b>	<b>1,026</b>	<b>0.4</b>
Andean American Mining Corp.	(iii)	2,000,000 common shares			

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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Australian Mineral Fields Inc.	(iii)	1,000,000 warrants expire May 29, 2009	<b>1,300</b>	<b>1,017</b>	<b>0.4</b>
		2,000,000 common shares			
		1,000,000 warrants expire Sep 21, 2008	<b>1,000</b>	<b>1,000</b>	<b>0.4</b>
Total of 156 other investments – Resources (Precious Metals) sector (iv)			<b>113,821</b>	<b>113,849</b>	<b>40.4</b>
			<b>238,484</b>	<b>281,610</b>	<b>100.0</b>

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# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 2007

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

### 3. Investments (continued):

As at June 30, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Resources (Base Metals)</b>					
Brilliant Mining Corp.	(i, iii)	3,612,400 common shares			
		281,250 warrants expire May 10, 2008	<b>3,454</b>	<b>7,687</b>	<b>7.1</b>
Geologix Explorations Inc.	(i, ii, iii)	4,280,400 common shares			
		500,000 warrants expire May 4, 2008			
		500,000 warrants expire Aug 28, 2008	<b>3,667</b>	<b>7,468</b>	<b>6.9</b>
Ascot Resources Ltd.	(i)	2,566,700 common shares	<b>2,775</b>	<b>5,724</b>	<b>5.3</b>
United Beloro Development Corp.	(i, ii, iii)	7,500,000 common shares			
		1,000,000 warrants expire Nov 23, 2008	<b>3,881</b>	<b>5,585</b>	<b>5.2</b>
International Nickel Ventures Corp.	(i, iii)	3,575,000 common shares			
		188,000 warrants expire Nov 18, 2008	<b>4,999</b>	<b>5,212</b>	<b>4.8</b>
Hard Creek Nickel Corporation	(iii)	2,418,300 common shares			
		325,000 warrants expire Oct 25, 2007			
		500,000 warrants expire Jan 22, 2008	<b>3,626</b>	<b>4,648</b>	<b>4.3</b>
Independent Nickel Corp.	(ii, iii)	4,450,000 common shares			
		500,000 warrants expire Sep 7, 2008	<b>1,771</b>	<b>3,119</b>	<b>2.9</b>
Ascendant Copper Corporation	(ii, iii)	7,000,000 common shares			
		3,500,000 warrants expire Jun 22, 2009	<b>3,150</b>	<b>2,940</b>	<b>2.7</b>
Newport Exploration Ltd.	(ii, iii)	3,150,000 common shares			
		2,400,000 warrants expire Dec 12, 2008	<b>491</b>	<b>2,054</b>	<b>1.9</b>
War Eagle Mining Co. Inc.	(ii, iii)	2,550,000 common shares			
		1,500,000 warrants expire Mar 7, 2008	<b>1,426</b>	<b>1,976</b>	<b>1.8</b>
Black Bull Resources Inc.	(ii, iii)	10,000,000 common shares	<b>1,500</b>	<b>1,746</b>	<b>1.6</b>
Northern Abitibi Mining Corp.	(ii, iii)	5,166,666 common shares			
		2,083,333 warrants expire May 2, 2009	<b>628</b>	<b>1,448</b>	<b>1.3</b>
Cross Lake Minerals Ltd.	(iii)	2,585,000 common shares			
		250,000 warrants expire Jun 14, 2008			
		542,500 warrants expire Nov 9, 2008	<b>1,579</b>	<b>1,437</b>	<b>1.3</b>
Canadian Arrow Mines Ltd.	(iii)	1,000,000 common shares			
		362,500 warrants expire Oct 17, 2008	<b>1,734</b>	<b>1,348</b>	<b>1.2</b>
Pacific Copper Corp.	(iii)	3,163,500 common shares			
		1,250,000 warrants expire Apr 30, 2009	<b>1,369</b>	<b>1,329</b>	<b>1.2</b>

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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Advanced Explorations Inc.	(iii)	2,500,000 common shares			
		500,000 warrants expire Jun 4, 2009	<b>1,250</b>	<b>1,250</b>	<b>1.2</b>
Grande Portages Resources Ltd.	(iii)	2,593,000 common shares			
		335,000 warrants expire Jun 7, 2008	<b>1,416</b>	<b>1,037</b>	<b>1.0</b>
Total of 50 other investments – Resources (Base Metals) sector (iv)			<b>50,076</b>	<b>52,266</b>	<b>48.3</b>
			<b>88,792</b>	<b>108,274</b>	<b>100.0</b>

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# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 2007

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

### 3. Investments (continued):

As at June 30, 2007:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Biotechnology</b>					
Vyeteris Holdings Inc.	(i)	1,246,667 common shares 500,000 warrants expire Nov 8, 2008	494	4,144	22.3
Transition Therapeutics Inc.	(i, iii)	1,614,700 common shares	2,226	2,734	14.7
Stem Cell Therapeutics Corp.	(i)	5,050,000 common shares 1,250,000 warrants expire Mar 27, 2008			
		500,000 warrants expire Feb 1, 2009	2,503	2,127	11.5
GeneNews Limited (formerly ChondroGene Inc.)	(i, iii)	3,050,000 common shares	3,103	1,708	9.2
SQI Diagnostics Inc.	(i, iii)	1,000,000 common shares			
		500,000 warrants expire Jun 29, 2009	1,600	1,530	8.2
Haemacure Corp.	(ii, iii)	11,731,000 common shares 2,500,000 warrants A expire Jan 5, 2012			
		2,500,000 warrants B expire Jan 5, 2012	2,339	1,466	7.9
Total of 10 other investments – Biotechnology sector (iv)			6,533	4,845	26.2
			18,798	18,554	100.0
<b>Sector: Energy Related Technology</b>					
Fiber Optics Systems Technology Inc.	(i)	3,536,112 common shares	2,942	3,137	30.0
Global Green Solutions Inc.	(i, iii)	2,227,743 common shares 350,000 warrants expire May 5, 2008 350,000 warrants expire May 5, 2008			
		250,000 warrants expire Aug 19, 2008	1,051	2,489	23.8
Solomon Technologies, Inc.	(i, iii)	5,421,522 common shares	1,511	2,212	21.2
Changfeng Energy Inc.	(i)	3,400,000 common shares	1,350	1,350	12.9
Total of 2 other investments – Energy Related Technology sector (iv)			1,780	1,255	12.1
			8,634	10,443	100.0
<b>Sector: Technology and Other</b>					
Fortress Paper Ltd.	(i)	400,000 common shares	2,200	3,003	5.1
Kyoto Capital Partners Inc.	(i)	15,000,000 common shares	3,000	3,000	5.1
View22 Technology Inc.	(i, iii)	1,300,000 common shares 500,000 warrants expire Aug 2, 2008			
		150,000 warrants expire Nov 8, 2008	1,225	2,275	3.9
Fluid Audio Networks, Inc.	(i)	300,000 series A preferred shares			

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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		267,357 series B preferred shares			
		104,000 series C preferred shares			
		150,000 series C preferred shares			
		US\$300,000 convertible debenture	<b>1,870</b>	<b>1,692</b>	<b>2.9</b>
Next Millenium Commercial Corp.	(i, ii, iii)	2,000,000 common shares			
		2,000,000 warrants expire May 1, 2008	<b>540</b>	<b>1,630</b>	<b>2.8</b>
Sofame Technologies Inc.	(ii, iii)	5,500,000 common shares			
		2,500,000 warrants expire May 16, 2009	<b>663</b>	<b>1,528</b>	<b>2.6</b>

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

June 30, 2007

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

#### 3. Investments (continued):

As at June 30, 2007:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
<b>Sector: Technology and Other (continued)</b>					
Valcent Products Inc.	(iii)	2,683,332 common shares 416,666 warrants expire May 15, 2008 500,000 warrants expire Dec 11, 2008			
		833,333 warrants expire Apr 24, 2009	<b>1,766</b>	<b>1,523</b>	<b>2.6</b>
Clearly Canadian Beverage Corporation	(iii)	500,000 common shares 333,334 warrants expire Sep 1, 2008			
		500,000 warrants expire Jul 15, 2009	<b>1,693</b>	<b>1,455</b>	<b>2.5</b>
Ziplocal Inc.	(iii)	5,000,000 common shares	<b>1,721</b>	<b>1,200</b>	<b>2.0</b>
ShifTV Inc.	(iii)	1,674,150 common shares 750,000 warrants expire Nov 30, 2009			
		43,538 warrants expire TBA	<b>1,083</b>	<b>1,083</b>	<b>1.8</b>
RAJ Gaming	(iii)	500,000 common shares	<b>1,000</b>	<b>1,000</b>	<b>1.7</b>
Total of 29 other investments – Technology and Other sector (iv)			<b>18,439</b>	<b>39,626</b>	<b>67.0</b>
			<b>35,200</b>	<b>59,015</b>	<b>100.0</b>
<b>Total investments</b>			<b>\$ 684,003</b>	<b>\$ 809,031</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 \$1,000 as at June 30, 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 \$1,000 as at June 30, 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 \$1,000 as at June 30, 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 June 30, 2007.

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 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 Sep 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

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 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>					
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
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	1,475	2,896	1.6
Unigold Inc.	(ii, iii)	1,250,000 warrants expire Dec 20, 2008 5,050,000 common shares 1,000,000 warrants expire Jul 11, 2007	1,977	2,677	1.5

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 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>					
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
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

# Pinetree Capital Ltd.

## Notes to Consolidated Financial Statements

June 30, 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>					
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
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
Landdrill 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

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

June 30, 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: Energy Related Technology (continued)</b>					
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	—	—
			<b>6,438</b>	<b>20,284</b>	<b>100.0</b>
<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
			<b>20,136</b>	<b>41,436</b>	<b>100.0</b>
<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**

**June 30, 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 June 30, 2007, Genevest had a potential amount owing of approximately \$768 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. Bank indebtedness, net:**

The Company has an operating line of credit with Royal Bank of Canada ("RBC") for \$1,000, and as at June 30, 2007, the Company had used \$1,000. The operating line of credit bears interest at RBC prime plus 0.75% and is collateralized by the Company's assets giving preference to amounts due to brokers (note 5).

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

As at June 30, 2007, the Company had advances from PowerOne Capital Markets Limited ("PowerOne") of \$8,078 (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.

#### **8. Promissory notes:**

- (a) As at June 30, 2007, the Company had a loan payable, by way of a promissory note of \$37,400 due to the Chairman and Chief Executive Officer ("CEO") of the Company. The promissory note is unsecured, due on demand and bears interest at RBC's prime rate plus 1%.
- (b) As at June 30, 2007, the Company had a loan payable, by way of a promissory note of \$5,100 due to PowerOne. The promissory note is unsecured, due on demand and bears interest at 9% per annum.

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## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

June 30, 2007

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

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#### 8. Promissory notes (continued):

- (c) As at December 31, 2006, the Company had a promissory note of \$19,271 with 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 promissory note was for the purchase of 5,000,000 shares of Mega Uranium Ltd. ("Mega") at a total cost of \$21,250. The Company paid \$2,125 in cash and issued to Brownstone a promissory note for \$19,125. During the six months ended June 30, 2007, the Company repaid in full the promissory note to Brownstone. Included in the consolidated statements of operations is \$440 of interest expense charged by Brownstone during the six months ended June 30, 2007.

#### 9. 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 six months ended June 30:

Type of service	Nature of relationship	2007	2006
Consulting fees	Director, shareholders, and officers	\$ 433	\$ 186
Consulting bonuses (a)	Director, shareholders, and officers	18,303	4,403
Director fees	Directors	15	14
Interest expense	Affiliated companies	440	67
Dividend income	Affiliated company	—	128
Other income (b)	Affiliated companies	294	1,905

- (a) Included in the consulting agreement for the Chairman and CEO 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 \$17,758 (six months ended June 30, 2006 - \$4,118) relating to this bonus.
- (b) Other income includes consulting, sublease, and services agreements of approximately \$294 (six months ended June 30, 2006 - \$1,905) 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) included in prepaids and other receivables owing from an officer of the Company. The promissory notes are unsecured and interest free.

## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

June 30, 2007

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

#### 9. Related party transactions (continued):

- (d) The Company has promissory notes due to related parties of \$42,500 (note 8).
- (e) Included in accounts payable and accrued liabilities as at June 30, 2007 is \$12,602 (December 31, 2006 - \$6,609) owing to related parties of which \$12,578 (December 31, 2006 - \$6,588) relate to the annual bonus to the Chairman and CEO of the Company.
- (f) During the period, the Company granted 1,125,000 options to officers and directors of the Company, exercisable at prices between \$9.74 and \$13.02 and expiring between February 4, 2012 and April 26, 2012 (note 10(e)).

#### 10. 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>3,867,384</b>	<b>12,348</b>
Issued pursuant to exercise of Broker Warrants (c)	<b>152,080</b>	<b>345</b>
Issued pursuant to private placement financing, net (d)	<b>10,000,000</b>	<b>73,822</b>
Cancellation of dissenting shares from Pinetree/Genevest merger in fiscal year 2004	<b>(1,309,028)</b>	---
<b>Balance, June 30, 2007</b>	<b>99,614,148</b>	<b>\$ 185,347</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 at 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 at the close of business on April 5, 2007. All current figures and comparative figures reflect both stock splits, retroactively.
- (b) During the six months ended June 30, 2007, 3,867,384 stock options were exercised at prices between \$0.53 and \$3.81 per share for total proceeds of \$7,845. Pursuant to the exercise of stock options, amounts in contributed surplus were reallocated to share capital by \$4,503.
- (c) During the six months ended June 30, 2007, 152,080 broker warrants were exercised at prices between \$2.25 and \$7.50 per share for total proceeds of \$345.

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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

- (d) On April 16, 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 \$6,671 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. The Company also paid other expenses of \$264 related to the brokered financing.

The Warrants and Broker Warrants were valued using the Black-Scholes option pricing model with the following assumptions: expected volatility of 71%; dividend yield of 0%; risk-free interest rate of 4.50%; and an expected life of 3.5 years for the Warrants and 1.75 years for the Broker Warrants. The values assigned to the Warrants and Broker Warrants were \$37,100 and \$3,443 respectively.

- (e) Stock options granted:

<b>Date Granted</b>	<b>Options Granted</b>	<b>Exercise Price</b>	<b>Expiry</b>
February 5, 2007	190,000	\$ 9.74	February 4, 2012
April 27, 2007	1,017,500	13.02	April 26, 2012
Total granted	1,207,500		

Stock options granted during the six months ended June 30, 2007, vest at the rate of 1/6<sup>th</sup> of the grant at the end of each three month period over an 18 month period. 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 over the vesting period and credits contributed surplus for all options granted. The fair value of the options granted during the six months ended June 30, 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>71.0 - 72.8%</b>
Expected dividend yield	<b>0.0%</b>
Risk-free interest rate	<b>4.5%</b>
Expected option life in years	<b>3.5</b>
Fair value per stock option granted on February 5, 2007	<b>\$ 5.28</b>
Fair value per stock option granted on April 27, 2007	<b>\$ 6.93</b>

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## Pinetree Capital Ltd.

### Notes to Consolidated Financial Statements

June 30, 2007

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

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#### 10. Share capital (continued):

For the six months ended June 30, 2007, included in stock-based compensation is \$1,107 (six months ended June 30, 2006 - \$4,613) relating to the stock options granted during the period and \$427 (six months ended June 30, 2006 - \$251) relating to stock options granted in prior years to directors, officers, employees and consultants of the Company.

(f) 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>1,534</b>
Exercise of stock options	<b>(4,503)</b>
<b>Balance, June 30, 2007</b>	<b>\$ 1,949</b>

(g) As at June 30, 2007, the Company had 2,975,248 stock options outstanding exercisable at prices ranging from \$0.44 to \$13.02 per share and expiring between June 10, 2008 and April 26, 2012. The Company also has outstanding 5,000,000 Warrants exercisable at \$15.00 per share expiring on April 16, 2012 and 550,000 Broker Warrants exercisable at \$12.13 per share expiring on April 16, 2009.

#### 11. Lease commitments:

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

2007	\$ 321
2008	648
2009	648
2010	648
2011	681
2012	681
2013	681
	<b>\$ 4,308</b>

#### 12. Financial instruments:

(a) Risk management

Dependence on key personnel - Pinetree is dependent upon the personal efforts and commitment of its existing and new management, who are responsible for risk management

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## **Pinetree Capital Ltd.**

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

**June 30, 2007**

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

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

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.

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.

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## **Pinetree Capital Ltd.**

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

**June 30, 2007**

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

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

(b) Fair value measurement and valuation methods

At each financial reporting period, the Company's management estimates the fair value of investments which are held-for-trading, 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 to a maximum of 10%.
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.

(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.

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## **Pinetree Capital Ltd.**

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

**June 30, 2007**

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

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

(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 for non-publicly traded investments may differ from values that would be realized had a ready market existed. In addition, 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. The amounts at which the Company's publicly-traded investments could be disposed of currently may differ from carrying values 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.

(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.

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.

#### **13. Comparative consolidated financial statements:**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the June 30, 2007 consolidated financial statements.

#### **14. Subsequent events:**

- (a) Subsequent to June 30, 2007, 16,800 stock options were exercised at \$1.75 per share for total proceeds of \$29.

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**Pinetree Capital Ltd.****Notes to Consolidated Financial Statements****June 30, 2007****(Unaudited – in thousands of dollars, except for share and per share amounts)**

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**14. Subsequent events (continued):**

- (b) Subsequent to June 30, 2007, the Company granted 50,000 stock options exercisable at \$9.50 per share expiring on July 2, 2012.
- (c) Subsequent to June 30, 2007, the Company increased the promissory note payable to the Chairman and CEO to \$66,938 (note 8 (a)).