

Consolidated Financial Statements of



(Unaudited)
September 30, 2008

Contents

Consolidated Financial Statements

Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Retained Earnings (Deficit)	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-33

PINETREE CAPITAL LTD.
Consolidated Balance Sheets
As At September 30, 2008 And December 31, 2007
(Unaudited - in thousands of dollars)

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Assets		
Investments, at fair value (notes 3(a, b))	\$ 233,987	\$ 592,039
Equity accounted investments (notes 3(c) and 7(e))	5,814	19,555
Cash and cash equivalents	94	66
Prepays and other receivables	128	407
Capital assets, net	637	670
Income taxes receivable	18,919	7,442
Future income tax assets (note 11)	30,162	-
	<u>\$ 289,741</u>	<u>\$ 620,179</u>
Liabilities and Shareholders' Equity		
Due to brokers (note 4)	\$ 1,687	\$ 86,601
Bank indebtedness, net (note 5)	921	674
Accounts payable and accrued liabilities	851	11,177
Advances from officer (note 7(c))	19,669	-
Advances from affiliated company (note 6)	500	10,628
Income taxes payable	-	737
	<u>23,628</u>	<u>109,817</u>
Future income tax liabilities (note 11)	562	33,435
	<u>24,190</u>	<u>143,252</u>
Lease commitments (note 10)		
Shareholders' equity		
Share capital (note 8)	267,848	236,126
Warrants and broker warrants (note 8(e))	72,268	61,891
Contributed surplus (note 8(f))	15,444	6,435
Retained earnings (deficit)	(90,009)	172,475
	<u>265,551</u>	<u>476,927</u>
	<u>\$ 289,741</u>	<u>\$ 620,179</u>

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.**Consolidated Statements of Operations****Three And Nine Months Ended September 30,****(Unaudited - in thousands of dollars, except for securities and per share amounts)**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net investment gains (losses)				
Gains (losses) on disposal of investments, net (note 7(f))	\$ 5,194	\$ (2,998)	\$ (1,585)	\$ 170,533
Unrealized losses on investments, net	(257,634)	(128,819)	(318,829)	(267,234)
Income (loss) from equity accounted investments (note 3(c))	(3,769)	(410)	(3,987)	705
	<u>(256,209)</u>	<u>(132,227)</u>	<u>(324,401)</u>	<u>(95,996)</u>
Other revenue				
Interest and dividend income	105	83	434	149
Other income (note 7(d))	147	151	444	445
	<u>(255,957)</u>	<u>(131,993)</u>	<u>(323,523)</u>	<u>(95,402)</u>
Expenses				
Operating, general and administrative (notes 7 and 8(d))	4,420	3,139	13,196	26,612
Transaction costs	164	1,653	1,206	4,571
Foreign exchange loss (gain)	(249)	384	138	(810)
Amortization	39	28	114	75
Interest (note 7(c))	832	2,752	3,100	5,884
	<u>5,206</u>	<u>7,956</u>	<u>17,754</u>	<u>36,332</u>
Loss before income taxes	<u>(261,163)</u>	<u>(139,949)</u>	<u>(341,277)</u>	<u>(131,734)</u>
Recovery of income taxes (note 11)	<u>(50,310)</u>	<u>(47,644)</u>	<u>(78,793)</u>	<u>(42,343)</u>
Net loss for the period	<u>\$ (210,853)</u>	<u>\$ (92,305)</u>	<u>\$ (262,484)</u>	<u>\$ (89,391)</u>
Loss per common share (note 8(a))				
Basic	\$ (1.63)	\$ (0.93)	\$ (2.21)	\$ (0.96)
Diluted	\$ (1.63)	\$ (0.93)	\$ (2.21)	\$ (0.96)
Weighted average number of common shares outstanding (note 8(a))				
Basic	129,248,224	99,658,454	119,008,339	93,466,258
Diluted	129,248,224	99,658,454	119,008,339	93,466,258

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Retained Earnings (Deficit)
Nine Months Ended September 30,
(Unaudited - in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Retained earnings, beginning of period	\$ 172,475	\$ 264,080
Net loss for the period	<u>(262,484)</u>	<u>(89,391)</u>
Retained earnings (deficit), end of period	\$ (90,009)	\$ 174,689

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	2008	2007	2008	2007
Cash flows from (used in) operating activities				
Net loss for the period	\$ (210,853)	\$ (92,305)	\$ (262,484)	\$ (89,391)
Items not affecting cash				
Losses (gains) on disposal of investments, net	(5,194)	2,998	1,585	(170,533)
Unrealized losses on investments, net	257,634	128,819	318,829	267,234
Loss (income) from equity accounted investments	3,769	410	3,987	(705)
Amortization	39	28	114	75
Stock-based compensation (note 8(d))	2,964	1,669	9,152	3,203
Future income taxes	(49,873)	(31,415)	(62,307)	(56,406)
	(1,514)	10,204	8,876	(46,523)
Changes in non-cash working capital balances related to operations				
Prepays and other receivables	315	73	279	801
Accounts payable and accrued liabilities	565	(4,580)	(10,326)	1,832
Income taxes receivable	1,998	-	(11,477)	-
Income taxes payable	-	(18,526)	(737)	(4,140)
	1,364	(12,829)	(13,385)	(48,030)
Cash flows from (used in) financing activities				
Proceeds from issue of share capital pursuant to private placements, net (note 8(c))	40,888	3	40,888	114,367
Proceeds from issue of share capital pursuant to exercise of stock options (note 8(b))	-	67	340	7,912
Proceeds from issue of share capital pursuant to exercise of warrants and broker warrants	-	-	-	345
Advances from officer	19,669	-	19,669	-
Due to brokers	(65,803)	(91,610)	(84,914)	9,631
Promissory note	-	(42,500)	-	(19,271)
Advances from affiliated company	500	700	(10,128)	8,700
Bank indebtedness	124	-	247	-
	(4,622)	(133,340)	(33,898)	121,684
Cash flows from (used in) investing activities				
Purchase of capital assets, net	(6)	(2)	(81)	(539)
Purchase of investments	(27,058)	(143,606)	(178,159)	(734,981)
Proceeds on disposal of investments	32,343	282,853	215,797	653,806
Purchase of equity accounted investments	(1,974)	-	(1,974)	-
Dividend received from equity accounted investment	-	7,925	11,728	7,925
	3,305	147,170	47,311	(73,789)
Net increase (decrease) in cash and cash equivalents, during the period	47	1,001	28	(135)
Cash and cash equivalents, beginning of period	47	(961)	66	175
Cash and cash equivalents, end of period	\$ 94	\$ 40	\$ 94	\$ 40
Supplemental cash flow information				
Income taxes paid	\$ 1,041	\$ 2,464	\$ 1,233	\$ 18,369
Interest paid	832	2,752	3,100	5,884

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

1. Nature of business:

Pinetree Capital Ltd. ("Pinetree" or the "Company") was incorporated under the laws of the Province of Ontario and its shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "PNP". 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, Potash and Rare Earths, and Base Metals. As well, Pinetree has investments in the Biotechnology, Energy Related Technology, and Technology sectors. Pinetree's investment approach is to develop a macro view of a sector, build a position consistent with the view by identifying micro-cap opportunities within that sector, and devise an exit strategy designed to maximize the Company's relative return in light of changing fundamentals and opportunities.

The Company effected a two-for-one stock split by way of 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 herein have been adjusted to reflect the stock split, retroactively.

2. Significant accounting policies:

Management has prepared the unaudited consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial reporting. Accordingly, they do not include all of the information and notes required by Canadian GAAP 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, 2007. Accounting policies followed in the preparation of the annual consolidated financial statements are consistent with those used in the preparation of the September 30, 2008 interim consolidated financial statements except for the following:

Effective January 1, 2008, the Company adopted prospectively the following new Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") accounting standards for interim and annual financial statements for fiscal years beginning on or after October 31, 2007:

- (a) CICA Handbook Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies, and processes for managing capital including disclosures of any externally imposed capital requirements and the consequences of non-compliance; see note 12.

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

2. Significant accounting policies (continued):

- (b) CICA Handbook Section 3862, Financial Instruments – Disclosures, which requires disclosure of information related to the significance of financial instruments to a company's financial position and performance. A company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed; see note 13.
- (c) CICA Handbook Section 3863, Financial Instruments – Presentation, which establishes standards for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial assets and financial liabilities are offset. The initial adoption of this standard did not have a material effect on the financial position or earnings of the Company.

These consolidated financial statements include the accounts of Pinetree and its wholly owned subsidiaries: Genevest Inc. ("Genevest"); Pinetree (Barbados) Inc.; Pinetree Capital Markets Limited; and Emerald Capital Corp., as well as Pinetree Resource Partnership and Pinetree Income Partnership in which Pinetree directly and indirectly owns a 100% partnership interest. All significant inter-company accounts and transactions have been eliminated on consolidation.

3. Investments:

- (a) Investments accounted for at fair value consist of the following as at September 30, 2008 by sector:

As at September 30, 2008:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium)					
Mega Uranium Ltd.	(i, ii, iii)	9,999,920 common shares 110,000 warrants expire Feb 14, 2009 54,200 warrants expire Feb 13, 2012 914,712 warrants expire Feb 22, 2012	\$ 40,038	\$ 11,325	25.6
Cline Mining Corp.	(i, ii, iii)	12,850,000 common shares	10,058	7,839	17.7
Resource Generation Limited (formerly Comdek Ltd.)	(i)	15,500,000 common shares	1,445	1,623	3.7
Dynamite Resources Ltd.	(i, ii, iii)	11,424,500 common shares 5,500,000 warrants expire Aug 17, 2009	4,514	1,341	3.0
Trigon Uranium Corp.	(ii, iii)	7,100,000 common shares 312,500 warrants expire Dec 12, 2008 500,000 warrants expire Aug 8, 2009	3,774	1,243	2.8
Rockgate Capital Corp.	(ii, iii)	3,812,700 common shares 500,000 warrants expire Mar 27, 2010 500,000 warrants expire Apr 24, 2009	2,865	1,182	2.7

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)****3. Investments (continued):****As at September 30, 2008:**

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium) (continued)					
Pele Mountain Resources Inc.	(iii)	7,000,000 common shares			
		1,000,000 warrants expire Feb 22, 2010	2,693	1,120	2.5
Total of 67 other investments – Resources (Uranium) sector (iv)			80,856	18,603	42.0
			146,243	44,276	100.0
Sector: Resources (Oil & Gas)					
Brownstone Ventures Inc.	(i, ii, iii)	3,489,500 common shares	4,390	1,919	10.1
Petrol One Corp.	(i)	2,000,000 common shares			
		1,000,000 warrants expire Jul 8, 2010			
		1,500,000 warrants expire Feb 12, 2010			
		1,500,000 warrants expire Aug 1, 2009	1,057	1,854	9.8
Changfeng Energy Inc.	(i, iii)	3,350,000 common shares	1,330	1,675	8.8
Red Maple Energy Inc.	(i)	5,400,000 common shares	750	1,350	7.1
Vulcan Minerals Inc.	(iii)	3,150,000 common shares	1,816	1,260	6.6
Canadian Spirit Resources Inc.	(ii)	1,650,000 common shares			
		500,000 warrants expire Feb 19, 2010	1,289	1,155	6.1
Total of 36 other investments – Resources (Oil & Gas) sector (iv)			29,718	9,775	51.5
			40,350	18,988	100.0
Sector: Resources (Molybdenum)					
Silica Resources Corp.	(i, ii, iii)	19,176,900 common shares			
		1,000,000 warrants expire Nov 12, 2008	583	10,163	55.9
Creston Moly Corp.	(i, iii)	7,000,000 common shares			
		2,500,000 warrants expire May 9, 2010	5,180	2,155	11.9
Total of 17 other investments – Resources (Molybdenum) sector (iv)			29,435	5,853	32.2
			35,198	18,171	100.0
Sector: Resources (Precious Metals)					
Queenston Mining Inc.	(i, iii)	4,278,400 common shares	10,306	6,845	9.0
Colossus Minerals Inc.	(i, ii, iii)	2,837,500 common shares			
		450,000 warrants expire Feb 13, 2010			
		475,000 warrants expire Feb 13, 2011			
		1,000,000 warrants expire Dec 6, 2011	2,044	6,517	8.6
Solitario Resources Corp.	(i, iii)	1,668,200 common shares	3,606	5,689	7.5
Nortec Ventures Corp.	(i, ii, iii)	15,120,000 common shares	2,317	3,265	4.3
Caledonia Mining Corporation	(i, iii)	27,866,000 common shares	5,385	2,647	3.5
Evolving Gold Corp.	(ii, iii)	8,099,100 common shares			
		1,250,000 warrants expire Jul 25, 2009	3,402	2,632	3.5
Cypress Development Corp.	(iii)	5,488,500 common shares	2,806	1,811	2.4
Unigold Inc.	(ii, iii)	6,361,000 common shares	3,304	1,399	1.8
Silver Reserve Corp.	(ii, iii)	4,998,043 common shares			
		750,000 warrants expire Sep 1, 2010			
		1,750,000 warrants expire Dec 31, 2009	2,093	1,331	1.8

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

3. Investments (continued):

As at September 30, 2008:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
Mega Silver Inc. (formerly Treat Systems Inc.)	(ii, iii)	4,131,636 common shares 37,500 warrants expire Nov 2, 2009 337,500 warrants expire Nov 2, 2009	2,262	1,247	1.6
Diamondex Resources Ltd.	(ii, iii)	9,796,500 common shares 500,000 warrants expire May 4, 2009 625,000 warrants expire Dec 21, 2008	2,971	1,225	1.6
Total of 143 other investments – Resources (Precious Metals) sector (iv)			145,222	41,108	54.4
			185,718	75,716	100.0
Sector: Resources (Potash and Rare Earths)					
Western Potash Corp.	(i, ii, iii)	7,188,700 common shares 6,000,000 warrants expire Oct 15, 2009	3,835	3,003	55.5
Phoenix Coal Inc.	(i)	3,252,323 common shares	3,540	1,301	24.0
Total of 5 other investments – Resources (Potash and Rare Earths) sector (iv)			2,535	1,106	20.5
			9,910	5,410	100.0
Sector: Resources (Base Metals)					
Noront Resources Ltd.	(i, ii, iii)	10,273,000 common shares	31,238	14,177	32.2
Macarthur Minerals Ltd.	(i, ii, iii)	3,657,700 common shares 500,000 warrants expire Jul 3, 2009 500,000 warrants expire Dec 11, 2008	4,109	5,487	12.5
Royal Nickel Corporation	(i, ii)	1,400,000 common shares	1,460	1,750	4.0
Nearctic Nickel Mines Inc.	(i, ii, iii)	3,500,000 common shares 1,000,000 warrants expire Jan 4, 2010	1,500	1,500	3.4
MacDonald Mines Exploration Ltd.	(ii, iii)	11,925,000 common shares 3,075,000 warrants expire Oct 29, 2009	6,576	1,431	3.2
Landrill International Inc.	(ii, iii)	6,725,500 common shares 250,000 warrants expire Jun 9, 2010 500,000 warrants expire Oct 12, 2008	2,028	1,344	3.0
Temex Resources Corp.	(ii, iii)	6,250,000 common shares 1,500,000 warrants expire Nov 21, 2009	4,250	1,313	3.0
WSR Gold Inc.	(ii)	4,660,000 common shares 125,000 warrants expire Apr 24, 2010	2,384	1,165	2.6
Total of 67 other investments – Resources (Base Metals) sector (iv)			68,667	15,902	36.1
			122,212	44,069	100.0

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

3. Investments (continued):

As at September 30, 2008:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Biotechnology					
Haemacure Corp.	(i, ii, iii)	18,470,179 common shares 2,948,679 warrants expire Jan 5, 2012 2,948,679 warrants expire Apr 13, 2013	3,374	2,216	29.9
Antisense Therapeutics Limited	(i, iii)	36,500,000 common shares 2,500,000 warrants expire Sep 30, 2009	2,015	1,559	21.0
Bio-Extraction Inc.	(i)	4,000,000 common shares 1,000,000 warrants expire Jan 29, 2010	1,206	1,320	17.8
Total of 7 other investments – Biotechnology sector (iv)			6,952	2,321	31.3
			13,547	7,416	100.0
Sector: Energy Related Technology					
Opel International Inc.	(i, iii)	4,711,800 common shares 750,000 warrants expire Dec 13, 2009 1,000,000 warrants expire May 11, 2010	5,452	1,508	33.2
Fiber Optics Systems Technology Inc.	(i, ii, iii)	7,760,112 common shares 1,750,000 warrants expire Mar 5, 2010	4,115	1,009	22.2
Total of 8 other investments – Energy Related Technology sector (iv)			6,143	2,030	44.6
			15,710	4,547	100.0
Sector: Technology and Other					
VIQ Solutions Inc.	(i, ii, iii)	7,225,000 common shares 850,000 warrants expire Mar 25, 2010	1,460	2,168	14.1
Kyoto Capital Partners Inc.	(i)	15,000,000 common shares	3,000	1,500	9.7
Sofame Technologies Inc.	(i, ii, iii)	6,883,000 common shares 499,998 warrants expire Dec 10, 2009 2,500,000 warrants expire May 16, 2009	971	1,361	8.8
View22 Technology Inc.	(i)	1,300,000 common shares 150,000 warrants expire Nov 8, 2008 500,000 warrants expire Aug 2, 2008	1,225	1,138	7.4
Total of 32 other investments – Technology and Other sector (iv)			25,227	9,227	60.0
			31,883	15,394	100.0
Total investments (v)			\$ 600,771	\$ 233,987	

- (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 September 30, 2008.
- (ii) The Company has issued a Section 101 report under the *Securities Act* (Ontario) for these investments and these investments have a fair value greater than \$1,000 as at September 30, 2008.
- (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 September 30, 2008.

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

3. Investments (continued):

- (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 September 30, 2008.
- (v) As at September 30, 2008, included in total investments were securities of private companies with a fair value totaling \$24,547 (cost of \$41,872) determined in accordance with the Company's accounting policy for private company investments, which included an overall reduction of the fair value of the Company's private investments by 50% to reflect similar declines in public market valuations of similar companies.
- (b) Investments accounted for at fair value consist of the following as at December 31, 2007 by sector:

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium)					
Mega Uranium Ltd.	(i, ii, iii)	8,791,169 common shares 51,100 warrants expire Feb 13, 2012 150,000 warrants expire Feb 22, 2012 648,831 warrants expire Jun 6, 2012	\$ 36,792	\$ 30,533	25.8
Dejour Enterprises Ltd.	(i, ii, iii)	4,732,400 common shares US\$197,846 convertible debenture 250,000 warrants expire May 25, 2009	9,228	7,395	6.2
Bayswater Uranium Corp.	(i, iii)	7,000,000 common shares 1,217,500 warrants expire Sep 8, 2008	7,100	5,740	4.8
Cue Resources Ltd. (formerly Cue Capital Corp.)	(i, ii, iii)	3,112,500 common shares	3,741	4,980	4.2
Alberta Star Development Corp.	(i, iii)	5,025,350 common shares 162,500 warrants expire Apr 18, 2008	7,381	2,864	2.4
Ucore Uranium Inc.	(iii)	4,000,000 common shares 275,000 warrants expire Jun 15, 2008 750,000 warrants expire Mar 23, 2009	4,569	2,760	2.3
Ditem Explorations Inc.	(ii, iii)	3,514,100 common shares 1,773,000 warrants expire Jan 26, 2009	2,604	2,495	2.1
Magnum Uranium Corp.	(ii, iii)	2,814,285 common shares 357,142 warrants expire Mar 2, 2008	2,673	2,392	2.0
Dynamite Resources Ltd.	(ii, iii)	5,500,000 common shares	3,500	2,173	1.8
Cline Mining Corp.	(ii, iii)	8,760,600 common shares	4,345	1,971	1.7
Dios Exploration Inc.	(ii, iii)	4,643,500 common shares 666,500 warrants expire Mar 30, 2008 800,000 warrants expire May 2, 2008 264,000 warrants expire Mar 15, 2009	2,917	1,881	1.6

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)****3. Investments (continued):****As at December 31, 2007:**

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium) (continued)					
Neutron Energy, Inc.	(iii)	2,750,000 common shares 500,000 warrants expire Aug 31, 2008	2,086	1,848	1.6
Uracan Resources Ltd.	(iii)	2,468,000 common shares 250,000 warrants expire Jun 20, 2009 400,000 warrants expire Dec 21, 2009	2,222	1,771	1.5
Southampton Ventures Inc.	(ii, iii)	2,315,000 common shares 500,000 warrants expire Mar 22, 2009 250,000 warrants expire Jul 26, 2009	2,747	1,667	1.4
Silver Spruce Resources Inc.	(ii, iii)	2,445,000 common shares 387,500 warrants expire May 14, 2009 372,500 warrants expire Jul 5, 2009	2,983	1,630	1.4
Universal Uranium Ltd.	(ii, iii)	3,200,000 common shares	3,291	1,504	1.3
Uranium City Resources Inc.	(ii, iii)	5,500,000 common shares 2,000,000 warrants expire May 25, 2008	2,518	1,403	1.2
Forum Uranium Corp.	(iii)	3,004,000 common shares 827,000 warrants expire Nov 29, 2008	2,047	1,247	1.1
West High Yield Resources Ltd.	(ii, iii)	3,200,000 common shares 1,500,000 warrants expire May 9, 2009	2,072	1,184	1.0
Delta Exploration Inc.	(ii, iii)	3,225,300 common shares 800,000 warrants expire Jul 10, 2008 500,000 warrants expire May 1, 2009	4,260	1,177	1.0
Sparton Resources Inc.	(iii)	4,186,500 common shares	1,780	1,172	1.0
Calypso Uranium Corp. (formerly Calypso Acquisition Corp.)	(ii, iii)	2,407,000 common shares 1,000,000 warrants expire Mar 9, 2009	2,073	1,083	0.9
Trigon Uranium Corp.	(ii, iii)	5,377,500 common shares 250,000 warrants expire Apr 27, 2008 312,500 warrants expire Dec 12, 2008 500,000 warrants expire Aug 8, 2009	3,145	1,076	0.9
Total of 64 other investments – Resources (Uranium) sector (iv)			50,588	36,438	30.8
			166,662	118,384	100.0

Sector: Resources (Oil & Gas)

MegaWest Energy Corp.	(i, iii)	4,150,000 common shares 325,000 warrants expire Jul 5, 2008 1,125,000 warrants expire Aug 28, 2008	3,196	5,383	11.8
Brownstone Ventures Inc.	(i, ii, iii)	2,201,159 common shares 975,000 warrants expire Jul 19, 2008	2,503	3,192	7.0
Red Maple Energy Inc.	(i)	5,400,000 common shares	750	2,700	5.9
GeoGlobal Resources Inc.	(i)	630,400 common shares 112,500 warrants expire Jun 20, 2009	2,412	2,429	5.3
Gastem Inc.	(i, iii)	3,021,000 common shares 307,500 warrants expire Sep 16, 2008	2,188	1,994	4.4

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)****3. Investments (continued):****As at December 31, 2007:**

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Oil & Gas) (continued)					
Lynden Ventures Corp. (formerly Lynden Ventures Ltd.)	(iii)	2,500,000 common shares			
		1,250,000 warrants expire Jul 9, 2009	2,004	1,875	4.1
Changfeng Energy Inc.	(iii)	3,400,000 common shares	1,350	1,700	3.7
Primary Petroleum Corp.	(ii, iii)	2,400,000 common shares			
		1,525,000 warrants expire Sep 17, 2009	1,750	1,406	3.1
Rochester Energy Corp.	(ii, iii)	3,260,000 common shares			
		1,510,000 warrants expire Mar 2, 2009			
		750,000 warrants expire Jul 17, 2009	2,111	1,369	3.0
Vulcan Minerals Inc.	(iii)	2,750,000 common shares	1,533	1,210	2.7
Total of 46 other investments – Resources (Oil & Gas) sector (iv)			30,518	22,285	49.0
			50,315	45,543	100.0
Sector: Resources (Molybdenum)					
Mega Moly Inc. (formerly Westview Commercial Inc.)	(i, ii, iii)	10,000,000 common shares			
		10,000,000 warrants expire Nov 30, 2008	1,100	19,148	37.9
Bolero Resources Corp. (formerly United Bolero Development Corp.)	(i, iii)	6,793,500 common shares			
		1,000,000 warrants expire Nov 23, 2008	3,559	4,076	8.1
Erdene Gold Inc.	(i, iii)	3,500,000 common shares	4,916	3,850	7.6
Creston Moly Corp. (formerly Georgia Ventures Inc.)	(i, iii)	7,000,000 common shares	5,180	3,220	6.4
Galway Resources Ltd.	(i, iii)	2,800,000 common shares			
		100,000 warrants expire Feb 1, 2009	3,987	2,800	5.5
Virgin Metals Inc.	(ii, iii)	5,150,500 common shares			
		1,750,000 warrants expire Apr 19, 2009	2,732	2,421	4.8
Sultan Minerals Inc.	(iii)	7,002,800 common shares			
		1,136,400 warrants expire Nov 10, 2008	2,384	1,751	3.4
Pacific Comox Resources Ltd.	(ii, iii)	16,820,610 common shares			
		1,909,091 warrants expire Nov 30, 2008			
		3,571,428 warrants expire Jun 12, 2008	2,000	1,654	3.3
Tenajon Resources Corp.	(iii)	3,250,000 common shares	2,864	1,495	3.0
Western Troy Capital Resources Inc.	(ii, iii)	3,711,333 common shares			
		1,666,667 warrants expire Apr 19, 2009	2,340	1,410	2.8
Happy Creek Minerals Ltd.	(ii, iii)	3,298,500 common shares			
		1,250,000 warrants expire May 15, 2009	1,565	1,253	2.5
Total of 11 other investments – Resources (Molybdenum) sector (iv)			8,025	7,428	14.7
			40,652	50,506	100.0

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

3. Investments (continued):

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals)					
Noront Resources Ltd.	(i, ii, iii)	10,067,300 common shares	29,200	40,169	16.7
Gold Eagle Mines Ltd.	(i)	1,500,000 common shares	9,581	12,375	5.1
Queenston Mining Inc.	(i, iii)	3,457,300 common shares			
		150,000 warrants expire May 17, 2008	7,635	10,593	4.4
Solitario Resources Corp.	(i, iii)	1,625,000 common shares	3,360	8,613	3.6
High River Gold Mines Inc.	(i)	3,000,000 common shares			
		70,000 warrants expire Jan 27, 2008			
		224,000 warrants expire Nov 8, 2010	8,714	8,540	3.6
Evolving Gold Corp.	(ii, iii)	4,905,500 common shares			
		2,500,000 warrants expire Apr 26, 2009			
		1,250,000 warrants expire Jul 5, 2009	1,594	7,463	3.1
Mega Silver Inc. (formerly Treat Systems Inc.)	(ii, iii)	3,940,536 common shares			
		375,000 warrants expire Nov 6, 2009	1,903	4,158	1.7
Valencia Ventures Inc.	(ii, iii)	7,349,000 common shares			
		1,500,000 warrants expire Mar 15, 2008	3,299	4,110	1.7
Caledonia Mining Corporation	(iii)	36,640,637 common shares	7,075	4,030	1.7
Unigold Inc.	(ii, iii)	6,361,000 common shares	3,304	3,944	1.6
Latin American Minerals Inc.	(ii, iii)	3,499,500 common shares			
		1,000,000 warrants expire May 31, 2008	3,258	3,849	1.6
Macarthur Minerals Ltd.	(ii, iii)	2,120,400 common shares			
		500,000 warrants expire Dec 11, 2008	1,944	3,817	1.6
Nortec Ventures Corp.	(ii, iii)	13,500,000 common shares	2,025	3,578	1.5
Aranka Gold Inc.	(iii)	1,551,488 common shares	2,306	3,274	1.4
Diamondex Resources Ltd.	(iii)	9,096,500 common shares			
		500,000 warrants expire May 4, 2008			
		625,000 warrants expire Dec 21, 2008	3,090	2,675	1.1
MacMillan Gold Corp.	(ii, iii)	3,682,500 common shares			
		2,000,000 warrants expire Sep 27, 2008	1,389	2,466	1.0
Castillian Resources Corp.	(iii)	5,346,856 common shares			
		500,000 warrants expire Jun 22, 2008			
		1,142,500 warrants expire Apr 9, 2009	3,583	2,406	1.0
Cypress Development Corp.	(ii, iii)	8,210,500 common shares	4,299	2,258	0.9
Fury Explorations Ltd.	(ii, iii)	2,750,000 common shares			
		250,000 warrants expire Sep 20, 2008	2,422	2,090	0.9
Silver Reserve Corp.	(iii)	5,198,043 common shares			
		1,750,000 warrants expire Oct 8, 2008	1,312	2,074	0.9
Sinchao Metals Corp.	(iii)	2,850,000 common shares			
		675,000 warrants expire Nov 21, 2009	1,723	1,994	0.8
Andean American Mining Corp.	(iii)	2,712,000 common shares			
		1,000,000 warrants expire May 29, 2009	1,776	1,953	0.8
Colossus Minerals Inc.	(iii)	1,900,000 common shares			
		200,000 warrants expire May 18, 2008			

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

3. Investments (continued):

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
		250,000 warrants expire Jun 26, 2009			
		1,000,000 warrants expire Dec 6, 2011	800	1,900	0.8
Golden Goose Resources Inc.	(ii, iii)	3,667,000 common shares			
		250,000 warrants expire Mar 26, 2008	2,851	1,834	0.8
ValGold Resources Ltd.	(ii, iii)	7,006,000 common shares			
		2,500,000 warrants expire May 4, 2008			
		750,000 warrants expire Nov 30, 2009	2,549	1,827	0.8
UC Resources Ltd.	(iii)	5,780,000 common shares	2,339	1,699	0.7
Maximus Ventures Ltd.	(iii)	3,774,500 common shares			
		1,000,000 warrants expire Apr 24, 2009	2,292	1,666	0.7
Tri Origin Exploration Ltd.	(ii, iii)	2,640,400 common shares	953	1,584	0.7
WSR Gold Inc.	(iii)	4,186,500 common shares	2,119	1,507	0.6
Ontex Resources Ltd.	(iii)	3,048,000 common shares			
		2,500,000 warrants expire Nov 22, 2008	1,028	1,425	0.6
Northern Lion Gold Corp.	(iii)	3,223,500 common shares	1,530	1,354	0.6
Pacific North West Capital Corp.	(ii, iii)	3,754,500 common shares			
		1,650,000 warrants expire Dec 1, 2008	1,878	1,352	0.6
Goldrush Resources Ltd.	(ii, iii)	4,717,500 common shares			
		2,500,000 warrants expire Sep 20, 2008	1,404	1,321	0.5
Spider Resources Inc.	(iii)	11,111,110 common shares			
		11,111,110 warrants expire Oct 11, 2009	1,000	1,286	0.5
Niogold Mining Corp.	(ii, iii)	5,101,500 common shares			
		985,000 warrants expire Oct 24, 2008	2,077	1,275	0.5
ATW Ventures Corp.	(iii)	1,160,000 common shares			
		580,000 warrants expire Dec 17, 2009	696	1,151	0.5
New World Resources Corp.	(ii, iii)	2,835,000 common shares			
		1,000,000 warrants expire Nov 15, 2008	2,409	1,081	0.4
Skyharbour Resources Ltd.	(ii, iii)	9,000,000 common shares			
		1,000,000 warrants expire Jul 24, 2008			
		3,000,000 warrants expire Jul 31, 2008	1,700	1,080	0.4
Arctic Star Diamond Corp.	(ii, iii)	8,564,091 common shares			
		2,500,000 warrants expire Oct 27, 2008			
		1,009,091 warrants expire Feb 21, 2009	2,575	1,071	0.4
Atlas Minerals Inc. (formerly Atlas Moly Inc.)	(ii, iii)	2,600,000 common shares			
		2,600,000 warrants expire Dec 31, 2009	894	1,030	0.4
Portal Resources Ltd.	(ii, iii)	3,000,000 common shares			
		500,000 warrants expire Jul 18, 2008	1,984	1,020	0.4
Australian Mineral Fields Inc.	(iii)	2,000,000 common shares			
		1,000,000 warrants expire Sep 21, 2008	1,000	1,000	0.4
Total of 154 other investments – Resources (Precious Metals) sector (iv)			97,402	76,587	32.0
			236,272	240,479	100.0

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)****3. Investments (continued):****As at December 31, 2007:**

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Potash and Rare Earths)					
Potash One Inc.	(i, ii, iii)	3,100,500 common shares	3,204	13,162	77.2
Western Potash Corp.	(i, iii)	7,000,000 common shares			
		3,000,000 warrants expire Oct 15, 2009	2,350	3,500	20.5
Total of 2 other investments – Resources (Potash and Rare Earths) sector (iv)			400	390	2.3
			5,954	17,052	100.0
Sector: Resources (Base Metals)					
MacDonald Mines Exploration Ltd.	(i, ii, iii)	9,988,500 common shares			
		3,075,000 warrants expire Oct 29, 2009	5,643	6,322	8.7
Waratah Coal Inc. (formerly Eaglestar Ventures Inc.)	(i, iii)	1,932,600 common shares			
		156,500 warrants expire Feb 9, 2009	2,772	4,348	6.0
Temex Resources Corp.	(i, ii, iii)	5,818,000 common shares			
		1,500,000 warrants expire Nov 1, 2009	4,002	3,794	5.2
Royal Nickel Corporation	(i)	1,400,000 common shares	1,460	3,500	4.8
Mantis Mineral Corp.	(i, ii, iii)	6,052,500 common shares			
		1,500,000 warrants expire Oct 19, 2009	2,076	3,465	4.8
International Nickel Ventures Corp.	(ii, iii)	3,800,000 common shares			
		188,000 warrants expire Nov 18, 2008	5,321	3,425	4.7
Probe Mines Ltd.	(ii, iii)	3,985,000 common shares			
		1,000,000 warrants expire Nov 6, 2009	3,256	2,596	3.6
Stingray Copper Inc. (formerly Stingray Resources Inc.)	(iii)	2,495,000 common shares			
		782,500 warrants expire Apr 24, 2009	2,724	1,923	2.6
Oriental Minerals Inc.	(iii)	2,381,700 common shares			
		125,000 warrants expire Jul 2, 2008			
		1,250,000 warrants expire Jan 17, 2009	4,650	1,810	2.5
Independent Nickel Corp.	(ii, iii)	4,250,000 common shares			
		500,000 warrants expire Nov 7, 2008	1,687	1,758	2.4
Ascendant Copper Corporation	(ii, iii)	7,615,000 common shares			
		3,500,000 warrants expire Jun 22, 2009	3,357	1,687	2.3
Canadian Arrow Mines Ltd.	(iii)	3,913,500 common shares			
		362,500 warrants expire Oct 17, 2008	2,135	1,526	2.1
Landrill International Inc.	(ii, iii)	4,694,000 common shares			
		250,000 warrants expire Mar 14, 2008			
		150,000 warrants expire Apr 7, 2008			
		500,000 warrants expire Oct 12, 2008	1,302	1,408	1.9
El Nino Ventures Inc.	(ii, iii)	1,000,000 common shares			
		1,000,000 warrants expire Jan 9, 2009	500	1,200	1.6
Slam Exploration Ltd.	(ii, iii)	7,000,000 common shares			
		1,364,000 warrants expire May 23, 2008			
		4,062,000 warrants expire Mar 14, 2009			
		300,000 warrants expire Oct 23, 2009	1,145	1,116	1.5

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)****3. Investments (continued):****As at December 31, 2007:**

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Base Metals) (continued)					
Cross Lake Minerals Ltd.	(iii)	2,757,000 common shares 250,000 warrants expire Jun 14, 2008 542,500 warrants expire Nov 9, 2008 300,000 warrants expire Feb 14, 2009	1,626	1,089	1.5
War Eagle Mining Co. Inc.	(ii, iii)	2,869,000 common shares 1,500,000 warrants expire Mar 7, 2008 250,000 warrants expire May 14, 2009	1,609	1,079	1.5
Halo Resources Ltd.	(iii)	2,500,000 common shares 150,000 warrants expire Apr 12, 2008 675,000 warrants expire Jul 3, 2009 350,000 warrants expire Dec 14, 2009	1,184	1,021	1.4
Northern Abitibi Mining Corp.	(ii, iii)	3,995,666 common shares 2,083,333 warrants expire May 2, 2009	498	1,004	1.4
Black Bull Resources Inc.	(ii, iii)	10,000,000 common shares	1,500	1,000	1.4
Total of 47 other investments – Resources (Base Metals) sector (iv)			36,476	27,803	38.1
			84,923	72,874	100.0
Sector: Biotechnology					
GeneNews Limited (formerly ChondroGene Limited)	(i, iii)	3,166,500 common shares	3,188	3,388	29.7
Stem Cell Therapeutics Corp.	(i, iii)	6,241,000 common shares 1,250,000 warrants expire Mar 27, 2008 500,000 warrants expire Feb 1, 2009 1,250,000 warrants expire May 9, 2010	2,740	1,965	17.2
Haemacure Corp.	(i, ii, iii)	13,392,500 common shares 2,500,000 A warrants expire Jan 5, 2012 2,500,000 B warrants expire Jan 5, 2012	2,521	1,808	15.9
SQI Diagnostics Inc.	(i, iii)	1,000,000 common shares 500,000 warrants expire Jun 29, 2009	1,600	1,450	12.7
Total of 7 other investments – Biotechnology sector (iv)			3,789	2,789	24.5
			13,838	11,400	100.0
Sector: Energy Related Technology					
Opel International Inc. (formerly Tandem Resources Inc.)	(i, iii)	2,701,700 common shares 750,000 warrants expire Dec 13, 2009 1,000,000 warrants expire May 11, 2010	3,206	5,315	44.3
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	1,519	12.7
Solomon Technologies, Inc.	(i, iii)	5,971,522 common shares US\$150,000 12% promissory note due Sep 7, 2008	1,789	1,504	12.5

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

3. Investments (continued):

As at December 31, 2007:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Energy Related Technology (continued)					
Fiber Optics Systems Technology Inc.	(i, iii)	3,536,612 common shares	2,948	1,043	8.7
Total of 5 other investments – Energy Related Technology sector (iv)			2,649	2,615	21.8
			11,643	11,996	100.0
Sector: Technology and Other					
Kyoto Capital Partners Inc.	(i)	15,000,000 common shares	3,000	3,000	12.6
Valcent Products Inc.	(i, iii)	2,814,666 common shares 416,666 warrants expire May 15, 2008 500,000 warrants expire Dec 11, 2008 833,333 warrants expire Apr 24, 2009 300,000 warrants expire Oct 10, 2009	1,824	2,470	10.4
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	9.6
Chalk Media Corp.	(i, iii)	8,500,000 common shares	2,215	1,913	8.0
Ziplocal Inc. (formerly Redcity Search Company)	(i, ii, iii)	9,083,000 common shares	2,526	1,635	6.9
Fluid Media Networks, Inc. (formerly Fluid Audio Networks, Inc.)	(iii)	300,000 series A preferred shares 267,357 series B preferred shares 104,000 series C preferred shares 150,000 series E preferred shares US\$300,000 12% convertible debenture due May 31, 2008	1,889	1,590	6.7
Sofame Technologies Inc.	(ii, iii)	5,500,000 common shares 2,500,000 warrants expire May 16, 2009 499,998 warrants expire Dec 21, 2009	813	1,362	5.7
VIQ Solutions Inc.	(ii, iii)	7,279,500 common shares	1,301	1,201	5.0
RAJ Gaming (2109453 Ontario Ltd.)	(iii)	500,000 common shares	1,000	1,000	4.2
Total of 26 other investments – Technology and Other sector (iv)			13,908	7,359	30.9
			29,701	23,805	100.0
Total investments (v)			\$ 639,960	\$ 592,039	

- (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 December 31, 2007.
- (ii) The Company has issued a Section 101 report under the *Securities Act* (Ontario) for these investments and these investments have a fair value greater than \$1,000 as at December 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 \$1,000 as at December 31, 2007.

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

3. Investments (continued):

- (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, 2007.
- (v) As at December 31, 2007, included in total investments were securities of private companies with a fair value totaling \$52,450 (cost of \$43,589) determined in accordance with the Company's accounting policy for private company investments.
- (c) Equity accounted investments consist of the following as at September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Equity accounted investments - carrying value, beginning of period	\$ 19,555	\$ 21,932
Purchases of equity accounted investments	1,974	-
Income (loss) from equity accounted investments	(3,987)	5,548
Dividend received from equity accounted investments	(11,728)	(7,925)
Equity accounted investments - carrying value, end of period	\$ 5,814	\$ 19,555
Equity accounted investments - cost	\$ 1,974	\$ -
Number of equity accounted investments	3	1

4. 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 tiered rate which fluctuates between the broker's overnight rate plus a percentage ranging from 0.15% to 1.25%, depending on the amount of margin used.

5. Bank indebtedness:

The Company has an operating line of credit with the Royal Bank of Canada ("RBC") for \$1,000 collateralized by the Company's assets. The operating line of credit bears interest at RBC's prime rate plus 0.75% and is due on demand. As at September 30, 2008, the Company had utilized \$921 (December 31, 2007 - \$674) of the line of credit.

6. Advances from affiliated company:

As at September 30, 2008, the Company had advances which are unsecured and interest free from PowerOne Capital Markets Limited ("PowerOne") of \$500 (December 31, 2007 - \$10,628). The Company owns a 50% interest in PowerOne, an Ontario limited market dealer.

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

7. 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 nine months ended September 30:

Type of Service	Nature of Relationship	2008	2007
Consulting fees (a)	Director, shareholders, and officers	\$ 771	\$ 697
Consulting bonuses (b)	Director, shareholders, and officers	560	19,675
Director fees	Directors	72	24
Interest expense	Affiliated companies	-	710
Interest expense (c)	Director, shareholder, and officer	662	430
Other income (d)	Affiliated companies	444	445
Dividend income (e)	Affiliated company	11,728	7,925
Realized losses on disposal of investments (f)	Affiliated companies	21,437	-

- (a) Consulting agreements are with the Company's Chairman and Chief Executive Officer of the Company ("CEO"), Chief Financial Officer, and Vice President - Legal & Corporate Affairs. The costs relating to these agreements are included in operating, general and administrative expenses.
- (b) Pursuant to the CEO's consulting agreement with the Company, he is entitled to receive an annual bonus equal to (i) 10% of the realized pre-tax profit of the Company, excluding distributions made from the limited market dealer in which the Company has a 50% ownership (the "LMD"); and (ii) 10% of the LMD's net realized pre-tax profit, excluding distributions made by the LMD to the Company. Included in operating, general and administrative expenses (including GST) is \$560 (nine months ended September 30, 2007 - \$19,044) relating to this bonus. Other bonuses of \$631 were also paid to officers in 2007.
- (c) From time to time, the CEO advances funds to Pinetree. The advances are unsecured, due on demand, and bear interest at 8%. During the nine months ended September 30, 2008, the CEO advanced a maximum of \$35,000 (2007 - \$76,938) to the Company, and included in the consolidated statements of operations is \$662 (2007 - \$430) of interest expense relating to these advances. As at September 30, 2008, the Company had advances of \$19,669 from the CEO.
- (d) Other income relates to consulting, sublease, and services agreements of approximately \$444 (2007 - \$445) 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.

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

7. Related party transactions (continued):

- (e) During the nine months ended September 30, 2008, the Company received dividend income of \$11,728 (nine months ended September 30, 2007 - \$7,925) from PowerOne.
- (f) During the nine months ended September 30, 2008, the Company sold certain of its investments at market prices to Mega Uranium Ltd. ("Mega"). The Company has an investment in Mega, which is a company with a common director and common officers of the Company and a reporting issuer trading on the TSX under the symbol "MGA". Total proceeds on the sales were \$12,816 and the Company recognized an aggregate realized loss on the sales of \$15,195.

During the nine months ended September 30, 2008, the Company sold certain of its investments at market prices to Brownstone Ventures Inc. ("Brownstone"). The Company has an investment in Brownstone, which is a company with common directors and common officers of the Company and a reporting issuer trading on the TSX Venture Exchange under the symbol "BWN". Total proceeds on the sales were \$25,134 and the Company recognized an aggregate realized loss on the sales of \$6,242.

8. Share capital:

Authorized: Unlimited number of common shares, no par value

Issued and outstanding common shares (a):

	# of Shares	Amount
Balance, December 31, 2006	86,903,712	\$ 98,832
Issued pursuant to exercise of stock options	4,135,268	12,683
Issued pursuant to exercise of broker warrants	152,080	345
Issued pursuant to private placement financing, net	10,000,000	76,112
Issued pursuant to private placement financing, net	13,750,000	48,154
Cancellation of dissenting shares from Pinetree/Genevest merger in fiscal year 2004	(1,309,028)	—
Balance, December 31, 2007	113,632,032	\$ 236,126
Issued pursuant to exercise of stock options (b)	404,656	483
Issued pursuant to private placement financing, net (c)	17,277,300	31,239
Balance, September 30, 2008	131,313,988	\$ 267,848

- (a) The Company effected a two-for-one stock split by way of a stock dividend of one common share for every common share outstanding at the close of business on April 5, 2007. All comparative figures reflect the stock split, retroactively.
- (b) During the nine months ended September 30, 2008, 404,656 stock options were exercised at prices of between \$0.44 and \$1.75 per share for total proceeds of \$340. Pursuant to the exercise of stock options, amounts of \$143 in contributed surplus were reallocated to share capital.

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

8. Share capital (continued):

- (c) On July 11, 2008, the Company completed a brokered private placement of 17,277,300 units of the Company at a price of \$2.50 per unit, resulting in aggregate gross proceeds to the Company of \$43,193. Each unit was comprised of one common share of Pinetree and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$3.50 per share until expiry on July 11, 2013. A cash commission of \$2,091 was paid and 722,771 broker warrants were issued to agents as consideration for their services rendered in connection with the financing. Each broker warrant entitles the holder to acquire one common share of Pinetree at a price of \$2.72 per share until expiry on July 11, 2010. The Company also paid other expenses of \$214 related to the private placement. The share issuance expenses were tax effected at a rate of 31.6% resulting in a reduction of the expenses of \$728.

The warrants and broker warrants were valued using the Black-Scholes option pricing model with the following assumptions: expected volatility of 97.5%; dividend yield of 0%; risk-free interest rate of 3.25%; 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 \$615 and \$9,762, respectively.

- (d) Stock options:

The following table summarizes stock options granted during the nine months ended September 30, 2008:

Date Granted	Options Granted	Exercise Price	Expiry
April 11, 2008	1,472,500	\$ 3.14	April 10, 2013
June 17, 2008	50,000	2.82	June 16, 2013
Total granted	1,522,500		

Stock options granted during the nine months ended September 30, 2008 vest at the rate of 1/6th 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 nine months ended September 30, 2008 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	95.7% - 97.5%
Expected dividend yield	0.0%
Risk-free interest rate	3.25%

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

8. Share capital (continued):

Expected option life in years	3.5
Fair value per stock option granted on April 11, 2008	\$ 2.04
Fair value per stock option granted on June 17, 2008	\$ 1.86

The fair value of the options granted during the prior year was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	71.0% - 91.5%
Expected dividend yield	0.0%
Risk-free interest rate	4.50% - 4.75%
Expected option life in years	3.5
Fair value per stock option granted on February 5, 2007	\$ 5.28
Fair value per stock option granted on April 27, 2007	\$ 6.93
Fair value per stock option granted on July 3, 2007	\$ 5.20
Fair value per stock option granted on September 4, 2007	\$ 2.61
Fair value per stock option granted on September 17, 2007	\$ 3.48

For the nine months ended September 30, 2008, included in operating, general and administrative expenses is stock-based compensation of \$936 (nine months ended September 30, 2007 - \$2,728) relating to the stock options granted during the period and \$8,216 (nine months ended September 30, 2007 - \$475) relating to stock options granted in prior years to directors, officers, employees, and consultants of the Company.

A summary of the status of the Company's stock options as at September 30, 2008 and December 31, 2007 and changes during the periods then ended is presented below:

Stock Options	Nine Months Ended September 30, 2008		Twelve Months Ended December 31, 2007	
	# of Options	Weighted Average Exercise Price	# of Options	Weighted Average Exercise Price
Outstanding, at beginning of period	5,364,364	\$ 5.88	5,635,132	\$ 3.50
Granted	1,522,500	3.13	3,864,500	7.70
Exercised	(404,656)	0.84	(4,135,268)	1.92
Cancelled/terminated	(241,760)	9.28	-	-
Outstanding, at end of period	6,240,448	\$ 5.41	5,364,364	\$ 5.88
Exercisable, at end of period	3,974,328	\$ 5.81	2,379,774	\$ 4.07

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

8. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2008:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
4,928	4,928	\$ 0.59	January 20, 2009
25,140	25,140	0.62	January 20, 2009
10,800	10,800	0.52	November 16, 2009
200,000	200,000	0.60	January 2, 2010
280,000	280,000	0.53	June 15, 2010
170,000	170,000	1.10	November 16, 2010
100,000	100,000	1.62	December 5, 2010
200,000	200,000	1.75	January 2, 2011
34,340	34,340	3.99	June 20, 2011
50,000	50,000	5.25	October 15, 2011
141,600	141,600	9.74	February 4, 2012
912,500	760,404	13.02	April 26, 2012
50,000	33,200	9.50	July 2, 2012
25,000	16,640	4.08	September 3, 2012
2,534,480	1,693,648	5.45	September 16, 2012
1,451,660	245,328	3.14	April 10, 2013
50,000	8,300	2.82	June 16, 2013
6,240,448	3,974,328		

(e) Warrants and broker warrants:

A summary of the status of the Company's warrants and broker warrants as at September 30, 2008 and December 31, 2007 and the changes during the periods then ended is presented below:

	Nine Months Ended September 30, 2008		Twelve Months Ended December 31, 2007	
	# of Warrants and Broker Warrants	Weighted Average Exercise Price	# of Warrants and Broker Warrants	Weighted Average Exercise Price
Warrants and Broker Warrants				
Outstanding, at beginning of period	13,181,250	\$ 9.89	152,080	\$ 2.27
Issued	9,361,421	3.44	13,181,250	9.89
Exercised	-	-	(152,080)	2.27
Outstanding, at end of period	22,542,671	\$ 7.21	13,181,250	\$ 9.89

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

8. Share capital (continued):

The following table summarizes the warrants and broker warrants outstanding as at September 30, 2008:

Number of Warrants and Broker Warrants	Exercise Price	Expiry Date	Warrant/Broker Warrant Value
550,000	\$ 12.13	April 16, 2009	\$ 3,443
5,000,000	15.00	April 16, 2012	37,100
756,250	5.30	October 23, 2009	1,686
6,875,000	6.50	October 23, 2012	19,662
722,771	2.72	July 11, 2010	615
8,638,650	3.50	July 11, 2013	9,762
22,542,671			\$ 72,268

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

	Amount
Balance, December 31, 2006	\$ 4,918
Stock-based compensation	6,141
Exercise of stock options	(4,624)
Balance, December 31, 2007	6,435
Stock-based compensation	9,152
Exercise of stock options (note 8(b))	(143)
Balance, September 30, 2008	\$ 15,444

Contributed surplus comprises only the fair value of stock-based compensation.

9. Normal course issuer bid:

During the year ended December 31, 2007, Pinetree renewed its normal course issuer bid (the "NCIB") for its common shares. Pursuant to the terms of the bid, and in accordance with the rules of the TSX, during the period commencing September 26, 2007 and ending September 25, 2008, Pinetree may purchase up to 4,500,000 common shares, representing approximately 4.5% of the common shares outstanding as at September 19, 2007. Purchases will be made in open market transactions through the facilities of the TSX at market prices prevailing at the time of acquisition. Daily purchases may not exceed 201,477 common shares, except pursuant to a particular exemption under the TSX rules. All common shares purchased under the NCIB will be cancelled.

Pinetree did not purchase any common shares of the Company during the nine months ended September 30, 2008. The NCIB expired on September 25, 2008.

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

10. Lease commitments:

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

2009	\$	650
2010		650
2011		679
2012		689
2013		681
2014		170
	\$	3,519

11. Income taxes:

The tax effects of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities are presented below:

	September 30, 2008	December 31, 2007
Future income tax assets		
Non-capital losses	\$ 52,860	\$ -
Share issuance costs	3,361	3,475
Corporate minimum tax credit	4,103	3,611
Total future income tax assets	60,324	7,086
Less: valuation allowance (a)	(30,162)	—
Net future income tax assets	30,162	7,086
Future income tax liabilities		
Investments – differences in carrying value and tax cost	(562)	(40,521)
Net future income tax liabilities	(562)	(40,521)
Net future income tax assets (liabilities)	\$ 29,600	\$ (33,435)

- (a) The future income tax assets ("FTA") relate primarily to the tax benefit that would arise from the application of the Company's non-capital loss carryforwards against future taxable income. A valuation allowance against the FTA is recorded to the extent that the Company considers it more likely than not that all or a portion of the FTA will not be realized. Based upon the Company's historical level of taxable income and expectations for future taxable income, the Company believes that it is more likely than not that the Company will realize the tax benefits of only a portion of the non-capital loss carryforwards during the next several years. As such, the Company has recorded a valuation allowance equal to 50% of the FTA, resulting in a valuation allowance of \$30,162.

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

12. Management of capital:

The Company includes the following in its capital:

	September 30, 2008	December 31, 2007
Due to brokers	\$ 1,687	\$ 86,601
Bank indebtedness	921	674
Advances from officer	19,669	-
Advances from affiliated company	500	10,628
Shareholders' equity comprised of		
Share capital	267,848	236,126
Warrants and broker warrants	72,268	61,891
Contributed surplus	15,444	6,435
Retained earnings (deficit)	(90,009)	172,475
	\$ 288,328	\$ 574,830

The Company's objectives when managing capital are:

- (a) to ensure that the Company maintains the level of capital necessary to meet the requirements of its brokers and bank;
- (b) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining the Company's ability to purchase new investments;
- (c) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
- (d) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) realizing proceeds from the disposition of its investments;
- (b) utilizing leverage in the form of margin (due to brokers) and the Company's bank credit line (bank indebtedness);
- (c) raising capital through equity financings;
- (d) borrowing funds in the form of advances from related parties; and
- (e) purchasing the Company's own shares for cancellation pursuant to its NCIB.

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

12. Management of capital (continued):

The Company is not subject to any capital requirements imposed by a regulator. During the period, the Company reduced its use of leverage in line with the reduction of the value of the Company's investments. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at September 30, 2008.

13. Financial instruments:

The investment operations of Pinetree's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit, and liquidity risks. A discussion of the Company's use of financial instruments and their associated risks is provided below.

(a) Liquidity risk:

Liquidity risk is the risk that the Company will have sufficient cash resources to meet its financial obligations as they come due. 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 stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in 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 uses financial leverage (or "margin") when purchasing investments. Trading on margin allows the Company to borrow part of the purchase price of the investments (using marginable investments as collateral), rather than pay for them in full. Buying on margin allows the Company to increase its portfolio size by increasing the number and amount of investments through the use of leverage. However, if the market moves against the Company's positions and the Company's investments decline in value, the Company may be required to provide additional funds to its brokers, which could be substantial. Given the nature of the Company's business, the Company may not have sufficient cash on hand to meet margin calls and may be required to liquidate investments prematurely and/or at a loss, in order to generate funds needed to satisfy the Company's obligations. Furthermore, if the Company is unable to provide the necessary funds within the time required, the Company's marginable investments may be involuntarily liquidated at a loss by its brokers to meet the obligations (and the Company may still be required to make up any additional shortfall in funds thereafter).

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

13. Financial instruments (continued):

The Company has at times borrowed funds from other sources to meet its obligations, but there can be no assurances that such funds will be available in the future, or available on reasonable terms, and the absence of available funding and/or the sale of the Company's investments in order to meet margin calls could have a materially adverse impact on the Company's operating results.

The Company manages liquidity risk by reviewing the amount of margin available on a daily basis, and managing its cash flow. The Company holds investments which can be converted into cash when required.

As at September 30, 2008, the Company was using margin of \$1,687 which was the maximum amount available on September 30, 2008. The following table shows the estimated sensitivity of the Company's available margin from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2008:

Percentage of Change in Closing Bid Prices	Margin Available From % Increase in Closing Bid Price	Margin Available (Call) From a % Decrease in Closing Bid Price
2%	\$ 34	\$ (34)
4%	68	(68)
6%	103	(103)
8%	137	(137)
10%	172	(172)

(b) Market risk:

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, in accordance with CICA Handbook Section 3855, Pinetree is required to mark to market its held-for-trading investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on Pinetree's financial position.

The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers, although Pinetree's investment activities are currently concentrated primarily across several sectors in the natural resource industry: uranium, oil and gas, molybdenum, precious metals, potash and rare earths, and base metals.

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

13. Financial instruments (continued):

The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the nine months ended September 30, 2008 from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2008:

Percentage of Closing Bid Prices	Change in	Change in Net After-tax Income (Loss) From % Increase in Closing Bid Price	Change in Net After-tax Income (Loss) From % Decrease in Closing Bid Price
2%		\$ 3,622	\$ (3,622)
4%		7,243	(7,243)
6%		10,865	(10,865)
8%		14,486	(14,486)
10%		18,108	(18,108)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. As at September 30, 2008, the Company had liabilities comprised of due to brokers, bank indebtedness, and advances from officer (collectively "interest risk liabilities"), which bore interest at rates fluctuating with the prime rate or overnight lending rate. All of the interest risk liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. Pinetree does not hedge against any interest rate risks.

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the nine months ended September 30, 2008 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at September 30, 2008:

Change in Interest Rate	Change in Net After-tax Income (Loss) From an Increase in Interest Rate	Change in Net After-tax Income (Loss) From a Decrease in Interest Rate
0.25%	\$ (23)	\$ 23
0.50%	(45)	45
0.75%	(68)	68
1.00%	(91)	91

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

13. Financial instruments (continued):

(d) Currency risk:

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time. The Company may have margin borrowings or financial instruments denominated in U.S. dollars, Australian dollars, South African rands, Hong Kong dollars, and British pounds.

A change in the foreign exchange rate of the Canadian dollar versus another currency may increase or decrease the Company's obligations due to brokers and increase or decrease the value of its financial instruments. The Company believes it is not significantly exposed to foreign exchange risk and does not actively hedge its foreign currency exposure, although Pinetree's foreign exchange risk is, to a certain extent, mitigated by the Company's foreign exchange denominated investments.

The following assets and liabilities were denominated in foreign currencies as at September 30, 2008 and December 31, 2007:

	September 30, 2008	December 31, 2007
Denominated in U.S. dollars:		
Investments	\$ 20,928	\$ 39,827
Cash and cash equivalents	81	31
Due from brokers	-	2,737
Income taxes receivable	12	-
Due to brokers	(469)	-
Accounts payable and accrued liabilities	(18)	(31)
Income taxes payable	-	(60)
Net assets denominated in U.S. dollars	20,534	42,504
Denominated in Australian dollars:		
Investments	7,131	13,140
Due to brokers	(440)	(506)
Net assets denominated in Australian dollars	6,691	12,634
Denominated in British pounds:		
Investments	219	410
Denominated in South African rands:		
Investments	-	234
Denominated in Hong Kong dollars:		
Investments	-	10

PINETREE CAPITAL LTD.**Notes To Consolidated Financial Statements****September 30, 2008****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

13. Financial instruments (continued):

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the nine months ended September 30, 2008 from a change in all foreign currencies (Australian dollars, British pounds, and U.S. dollars) with all other variables held constant as at September 30, 2008:

Percentage of Change in Foreign Currencies	Change in Net After-tax Income (Loss) From an Increase in % in Foreign Currencies	Change in Net After - Tax Income (Loss) From a Decrease in % in Foreign Currencies
2%	\$ 365	\$ (365)
4%	730	(730)
6%	1,096	(1,096)
8%	1,461	(1,461)
10%	1,826	(1,826)

(e) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill its payment obligations. The Company is exposed to the risk that third parties that owe it money or securities (in connection with convertible or debt securities, for example) will not perform their underlying obligations.

The Company's investments in convertible debentures, convertible notes, and promissory notes are carried as though converted to common shares. As at September 30, 2008, the total fair value of these investments was \$2,720. The Company believes it is not significantly exposed to credit risk as these investments comprise 1.1% of the Company's total investments.

(f) Fair value:

The Company has determined the fair value of its financial instruments as follows:

- (i) The carrying values of cash and cash equivalents, prepaids and other receivables, due to brokers, bank indebtedness, accounts payable and accrued liabilities, advances from officer, and advances from affiliated company in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- (ii) Investments, equity accounted investments, and capital assets are carried at amounts in accordance with the Company's accounting policies.
- (iii) Revenue is recognized in accordance with the Company's accounting policy.

PINETREE CAPITAL LTD.

Notes To Consolidated Financial Statements

September 30, 2008

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

14. Future accounting changes:

Recent accounting pronouncements:

- (a) The CICA issued a new accounting standard, Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. As a result, start-up costs must be expensed as incurred. Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. These new standards are effective for years beginning on or after October 1, 2008. The Company is currently assessing the impact of these standards on its consolidated financial statements.
- (b) On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to start using International Financial Reporting Standards ("IFRS"). The transition will affect interim and annual financial statements relating to years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

15. Segmented information:

The Company has a single reportable geographic segment - Canada - and all of the Company's capital assets are located in Canada.

16. Comparative consolidated financial statements:

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the September 30, 2008 consolidated financial statements.

17. Subsequent events:

Subsequent to September 30, 2008, the advances from officer (note 7(c)) were secured under a General Security Agreement (the "GSA"). The GSA covers all present and future tangible and intangible property of the Company subject to any security interests ranking in priority thereto, including the security interest for the Company's line of credit (note 5) and of the Company's brokers in respect to its margin borrowings (note 4).