

Consolidated Financial Statements of



For the years ended December 31, 2008 and 2007

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AUDITORS' REPORT

To the Shareholders of
Pinetree Capital Ltd.

We have audited the consolidated balance sheets of **Pinetree Capital Ltd.** as at December 31, 2008 and 2007 and the consolidated statements of operations, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 25, 2009

Ernst & Young LLP

**Chartered Accountants
Licensed Public Accountants**

PINETREE CAPITAL LTD.
Consolidated Balance Sheets
As At December 31,
(In thousands of dollars)

	<u>2008</u>	<u>2007</u>
Assets		
Investments, at fair value (notes 4(a, b))	\$ 133,969	\$ 592,039
Equity accounted investments (notes 4(c) and 9(e))	3,567	19,555
Cash and cash equivalents	28	66
Due from brokers	52	-
Prepays and other receivables	445	407
Capital assets, net (note 5)	598	670
Income taxes receivable	18,985	7,442
Future income tax assets (note 13(c))	43,754	-
	<u>\$ 201,398</u>	<u>\$ 620,179</u>
Liabilities and Shareholders' Equity		
Due to brokers (note 6)	\$ 50	\$ 86,601
Bank indebtedness, net (note 7)	953	674
Accounts payable and accrued liabilities	442	11,177
Advances from officer (note 9(c))	24,234	-
Advances from affiliated company (note 8)	1,250	10,628
Income taxes payable	-	737
	<u>26,929</u>	<u>109,817</u>
Future income tax liabilities (note 13(c))	259	33,435
	<u>27,188</u>	<u>143,252</u>
Lease commitments (note 12)		
Shareholders' equity		
Share capital (note 10)	267,848	236,126
Warrants and broker warrants (note 10(f))	72,268	61,891
Contributed surplus (note 10(g))	17,667	6,435
Retained earnings (deficit)	(183,573)	172,475
	<u>174,210</u>	<u>476,927</u>
	<u>\$ 201,398</u>	<u>\$ 620,179</u>

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Sheldon Inwentash" _____ Director

"Ronald Perry" _____ Director

PINETREE CAPITAL LTD.**Consolidated Statements of Operations****Years Ended December 31,****(In thousands of dollars, except for securities and per share amounts)**

	<u>2008</u>	<u>2007</u>
Net investment losses		
Gains (losses) on disposal of investments, net (note 9(f))	\$ (4,607)	\$ 190,838
Unrealized losses on investments, net	(417,934)	(288,369)
Income (loss) from equity accounted investments (note 4(c))	(6,234)	5,548
	<u>(428,775)</u>	<u>(91,983)</u>
Other revenue		
Interest and dividend income	459	2,262
Other income (note 9(d))	590	594
	<u>(427,726)</u>	<u>(89,127)</u>
Expenses		
Operating, general and administrative (notes 9 and 10(e))	15,858	33,400
Transaction costs	1,249	5,374
Foreign exchange loss (gain)	191	(776)
Amortization	155	95
Interest (note 9(c))	3,559	6,753
	<u>21,012</u>	<u>44,846</u>
Loss before income taxes	(448,738)	(133,973)
Recovery of income taxes (notes 13(a, b))	(92,690)	(42,368)
Net loss for the year	<u>\$ (356,048)</u>	<u>\$ (91,605)</u>
Loss per common share (note 10(a))		
Basic	\$ (2.92)	\$ (0.94)
Diluted	<u>\$ (2.92)</u>	<u>\$ (0.94)</u>
Weighted average number of common shares outstanding (note 10(a))		
Basic	122,101,563	97,663,188
Diluted	122,101,563	97,663,188

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Retained Earnings (Deficit)
Years Ended December 31,
(In thousands of dollars)

	<u>2008</u>	<u>2007</u>
Retained earnings, beginning of year	\$ 172,475	\$ 264,080
Net loss for the year	<u>(356,048)</u>	<u>(91,605)</u>
Retained earnings (deficit), end of year	\$ (183,573)	\$ 172,475

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.
Consolidated Statements of Cash Flows
Years Ended December 31,
(In thousands of dollars)

	<u>2008</u>	<u>2007</u>
Cash flows from (used in) operating activities		
Net loss for the year	\$ (356,048)	\$ (91,605)
Items not affecting cash		
Losses (gains) on disposal of investments, net	4,607	(190,838)
Unrealized losses on investments, net	417,934	288,369
Loss (income) from equity accounted investments	6,234	(5,548)
Amortization	155	95
Stock-based compensation (note 10(e))	11,375	6,141
Future income taxes	(76,202)	(50,076)
	<u>8,055</u>	<u>(43,462)</u>
Changes in non-cash working capital balances related to operations		
Prepays and other receivables	(38)	510
Due from brokers	(52)	-
Income taxes receivable	(11,543)	(7,442)
Accounts payable and accrued liabilities	(10,735)	3,316
Income taxes payable	(737)	(13,358)
	<u>(15,050)</u>	<u>(60,436)</u>
Cash flows from (used in) financing activities		
Proceeds from issue of share capital pursuant to private placements, net (note 10(c))	40,888	182,546
Proceeds from issue of share capital pursuant to exercise of stock options (note 10(b))	340	8,059
Proceeds from issue of share capital pursuant to exercise of warrants and broker warrants	-	345
Advances from officer	24,234	-
Due to brokers	(86,551)	29,030
Promissory note	-	(19,271)
Advances from affiliated company	(9,378)	10,550
Bank indebtedness	279	674
	<u>(30,188)</u>	<u>211,933</u>
Cash flows from (used in) investing activities		
Purchase of capital assets, net	(83)	(406)
Purchase of investments	(185,680)	(891,395)
Proceeds on disposal of investments	221,209	740,195
Purchase of equity accounted investments	(1,974)	-
Dividend received from equity accounted investment	11,728	-
	<u>45,200</u>	<u>(151,606)</u>
Net decrease in cash and cash equivalents, during the year	(38)	(109)
Cash and cash equivalents, beginning of year	66	175
Cash and cash equivalents, end of year	\$ 28	\$ 66
Supplemental cash flow information		
Income taxes paid	\$ 1,233	\$ 28,503
Interest paid	3,559	6,753

See accompanying notes to the consolidated financial statements.

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(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. Applicable comparative figures herein have been adjusted to reflect the stock split, retroactively.

2. Significant accounting policies:

Management has prepared the consolidated financial statements of the Company in Canadian dollars and in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Basis of consolidation:

These consolidated financial statements include the accounts of Pinetree and its wholly-owned subsidiaries: Genevest Inc., 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.

(b) Investments:

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 (i.e., securities of issuers that are public companies):

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.

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

2. Significant accounting policies (continued):

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%. In determining the discount for such investments, the Company considers the nature and length of the restriction.
3. For warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price at the consolidated balance sheet date of the underlying security less the exercise price of the warrant and zero.

(ii) Private company investments (securities of issuers that are not public companies):

All privately-held investments (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted using one or more of the valuation indicators described below. Options and warrants of private companies are carried at nil.

The determinations of fair value of the Company's privately-held investments at other than initial cost are subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

The following circumstances are used to determine if the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to the events described below which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. Absent the occurrence of any of these events or any significant change in general market conditions, the fair value of the investment is left unchanged.

The fair value of a privately-held investment may be adjusted upward if:

1. there has been a significant subsequent equity financing provided by outside investors, at a valuation above the current fair value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

2. Significant accounting policies (continued):

2. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

- i. political changes in a country in which the investee company operates which, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
- ii. receipt by the company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);
- iii. filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
- iv. release by the investee company of positive exploration results, which either proves or expands their resource prospects; and
- v. important, positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

In the circumstances described above under (i) through (v), and in the circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

The fair value of a privately-held investment may be adjusted downward if:

1. there has been a significant subsequent equity financing provided by outside investors, at a valuation below the current fair value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
2. the investee company is placed into receivership or bankruptcy;
3. based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

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(In thousands of dollars, except for securities and per share amounts)

2. Significant accounting policies (continued):

4. there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

Such events include, without limitation:

- i. political changes in a country in which the investee company operates which increases the tax burden on companies, which prohibit mining where it was previously allowed, which increases the need for permitting or approvals, etc.
- ii. denial of the investee company's application for environmental, mining, aboriginal or similar approvals which prohibit the investee company from proceeding with its projects;
- iii. the investee company releases negative exploration results; and
- iv. changes to the management of the investee company take place which the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders."

In the circumstances described above under (i) through (iv), and in the circumstances where general market conditions so warrant it, an adjustment to the fair value of an investment will be based upon management's judgment and any value estimated may not be realized or realizable.

The resulting values for non-publicly traded investments may differ from values that would be realized if 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.

(iii) Equity accounted investments:

Investments in companies which Pinetree has significant influence over, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income and losses of such investments are included in the consolidated statements of operations.

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

2. Significant accounting policies (continued):

(iv) 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.

(c) Cash and cash equivalents:

Cash and cash equivalents consists of cash and short-term investments with original maturities of less than three months.

(d) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided at rates designed to amortize the cost of capital assets over their estimated useful lives as follows:

	Rate	Basis
Computer equipment	30% to 45%	Declining balance
Furniture and equipment	20%	Declining balance
Leasehold improvements, net	7 years	Over the initial term of the lease

(e) Revenue recognition:

Securities transactions are recorded on a settlement date 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 associated with the acquisition and disposition of investments are expensed to the consolidated statements of operations as incurred.

Income or losses from an equity accounted investment are reflected in the consolidated statements of operations at the end of each reporting period. Dividend income is recorded on the ex-dividend date. Dividends received from equity accounted investments are recorded as a reduction of the carrying value of the equity accounted investment. Interest income and other income are recorded on an accrual basis. Deferred revenue is recognized over the period for which the revenue is earned.

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

2. Significant accounting policies (continued):

(f) Foreign currency translation:

The Company's subsidiaries are considered to be integrated operations. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies are translated at historical rates. All revenue and expenses denominated in foreign currencies are translated at rates of exchange prevailing at the transaction dates. Gains or losses resulting from translation are included in the determination of net income (loss) for the period. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction.

(g) Non-monetary transactions:

Transactions in which shares or other non-cash consideration are exchanged for assets or services are valued at the fair value of the assets or services involved in accordance with Section 3831, Non-monetary Transactions, of the Canadian Institute of Chartered Accountants Handbook ("CICA Handbook").

(h) Income taxes:

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

(i) Stock-based compensation plans:

The Company has stock-based compensation plans which are described in note 10(d). Any consideration received on the exercise of stock options or sale of stock is credited to share capital. The Company records compensation expense and credits contributed surplus for all stock options granted. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model.

(j) Interest expense:

Interest expense is recorded on an accrual basis.

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

2. Significant accounting policies (continued):

(k) Earnings (loss) per common share:

Basic earnings (loss) per common share has been determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares securing employee share purchase loans and shares in escrow. Diluted earnings (loss) per common share has been calculated in accordance with the treasury stock method and was based on the weighted average number of common shares and dilutive common share equivalents outstanding.

(l) Use of estimates:

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(m) Cost of private placement financings:

Incremental costs incurred in respect of raising capital through private placements are charged against equity proceeds raised.

3. Changes in accounting policies:

Effective January 1, 2008, the Company adopted prospectively the following new 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 14.
- (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 15.

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

3. Change in accounting policies (continued):

- (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.

4. Investments:

- (a) Investments accounted for at fair value consist of the following as at December 31, 2008 by sector:

As at December 31, 2008:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium)					
Mega Uranium Ltd.	(i, ii, iii)	9,889,920 common shares 110,000 warrants expire Feb 14, 2009 54,200 warrants expire Feb 13, 2012 914,712 warrants expire Feb 22, 2012	39,630	7,559	28.0
Cline Mining Corp.	(i, ii, iii)	12,850,000 common shares	10,058	3,341	12.4
Dynamite Resources Ltd.	(i, ii, iii)	11,424,500 common shares 5,500,000 warrants expire Aug 17, 2009	4,514	1,113	4.1
Tournigan Energy Ltd.	(i)	5,000,000 common shares	1,755	1,025	3.8
Total of 75 other investments – Resources (Uranium) sector (iv)			91,160	13,915	51.7
			147,117	26,953	100.0
Sector: Resources (Oil & Gas)					
Changfeng Energy Inc.	(i, iii)	3,350,000 common shares	1,330	1,340	13.3
Brownstone Ventures Inc.	(i, ii, iii)	3,489,500 common shares	4,390	1,256	12.5
Total of 39 other investments – Resources (Oil & Gas) sector (iv)			34,333	7,470	74.2
			40,053	10,066	100.0
Sector: Resources (Molybdenum)					
Total of 19 investments – Resources (Molybdenum) sector (iv)			35,198	3,159	100.0
			35,198	3,159	100.0
Sector: Resources (Precious Metals)					
Queenston Mining Inc.	(i, ii, iii)	4,530,600 common shares	10,654	12,504	24.7
Colossus Minerals Inc.	(i, ii, iii)	2,950,100 common shares 450,000 warrants expire Feb 13, 2010 475,000 warrants expire Feb 13, 2011 1,000,000 warrants expire Dec 6, 2011	2,147	3,126	6.2
Solitario Resources Corp.	(i, iii)	1,668,900 common shares	3,606	3,037	6.0
Caledonia Mining Corporation	(i, iii)	27,866,000 common shares	5,385	1,811	3.6
Bear Gold Lake Ltd. (formerly NFX Gold Inc.)	(i, iii)	5,763,250 common shares 500,000 warrants expire Apr 24, 2009 1,000,000 warrants expire Oct 23, 2010	6,619	1,744	3.5

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements**

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

4. Investments (continued):

As at December 31, 2008:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
Evolving Gold Corp.	(ii, iii)	8,099,100 common shares 1,250,000 warrants expire Jul 25, 2009	3,402	1,701	3.4
Nortec Ventures Corp.	(ii, iii)	14,580,000 common shares 540,000 warrants expire Feb 14, 2010	2,317	1,385	2.7
Aranka Gold Inc.	(iii)	2,228,688 common shares	3,440	1,114	2.2
Mega Silver Inc. (formerly Treat Systems Inc.)	(ii, iii)	4,131,636 common shares 375,000 warrants expire Nov 2, 2009	2,262	1,028	2.0
Total of 145 other investments – Resources (Precious Metals) sector (iv)			147,059	23,090	45.7
			186,891	50,540	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	1,904	52.1
Phoenix Coal Inc.	(i)	4,965,523 common shares	3,849	1,241	33.9
Total of 5 other investments – Resources (Potash and Rare Earths) sector (iv)			2,535	513	14.0
			10,219	3,658	100.0
Sector: Resources (Base Metals)					
Noront Resources Ltd.	(i, ii, iii)	10,000,000 common shares	30,313	6,200	26.4
Macarthur Minerals Ltd.	(i, ii, iii)	4,157,700 common shares 500,000 warrants expire Jul 3, 2009	5,109	4,781	20.3
Nearctic Nickel Mines Inc.	(i, ii, iii)	1,000,000 common shares \$1,040,000 convertible debenture 1,000,000 warrants expire Jan 4, 2010	1,540	1,800	7.7
Total of 71 other investments – Resources (Base Metals) sector (iv)			85,417	10,748	45.6
			122,379	23,529	100.0
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	1,755	31.9
Bio-Extraction Inc.	(i)	4,150,000 common shares 1,000,000 warrants expire Jan 29, 2010	1,254	1,619	29.5
Antisense Therapeutics Limited	(i, iii)	36,500,000 common shares 2,500,000 warrants expire Sep 30, 0009	2,015	1,092	19.9
Total of 6 other investments – Biotechnology sector (iv)			6,709	1,027	18.7
			13,352	5,493	100.0
Sector: Energy Related Technology					
Total of 10 investments – Energy Related Technology sector (iv)			15,710	2,366	100.0
			15,710	2,366	100.0

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

4. Investments (continued):

As at December 31, 2008:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Technology and Other					
Sofame Technologies Inc.	(i, ii, iii)	1,883,000 common shares \$500,000 convertible debenture 499,998 warrants expire Dec 10, 2009	971	1,689	20.6
VIQ Solutions Inc.	(i, ii, iii)	7,008,000 common shares 850,000 warrants expire Mar 25, 2010	1,416	1,296	15.8
Total of 32 other investments – Technology and Other sector (iv)			26,612	5,220	63.6
			28,999	8,205	100.0
Total investments (v)			\$ 599,918	\$ 133,969	

- (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, 2008.
- (ii) The Company has filed an “early warning report” pursuant to applicable Canadian securities legislation for these investments and these investments have a fair value greater than \$1,000 as at December 31, 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 December 31, 2008.
- (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, 2008.
- (v) As at December 31, 2008, included in total investments were securities of private companies with a fair value totaling \$14,270 (cost of \$42,082) determined in accordance with the Company’s accounting policy for private company investments and representing an overall reduction of approximately 75% of the fair value of these investments to reflect similar declines in public market valuations of similar companies.

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

4. Investments (continued):

(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
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

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements**

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(In thousands of dollars, except for securities and per share amounts)

4. Investments (continued):**As at December 31, 2007:**

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium) (continued)					
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
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

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

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(In thousands of dollars, except for securities and per share amounts)

4. Investments (continued):

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
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
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

PINETREE CAPITAL LTD.

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4. Investments (continued):

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals)					
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			
		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

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

4. Investments (continued):

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
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
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

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

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4. Investments (continued):

As at December 31, 2007:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Base Metals) (continued)					
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
Landdrill 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
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

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)****4. Investments (continued):**

As at December 31, 2007:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
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
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

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

4. Investments (continued):**As at December 31, 2007:**

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Technology and Other (continued)					
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 filed an “early warning report” under applicable Canadian securities legislation 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.
- (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.

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

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4. Investments (continued):

(c) Equity accounted investments consist of the following as at December 31,:

	2008	2007
Equity accounted investments - carrying value, beginning of year	\$ 19,555	\$ 21,932
Purchases of equity accounted investments	1,974	-
Income (loss) from equity accounted investments	(6,234)	5,548
Dividends received from equity accounted investments	(11,728)	(7,925)
Equity accounted investments - carrying value, end of year	\$ 3,567	\$ 19,555
Equity accounted investments - cost	\$ 1,974	\$ -
Number of equity accounted investments	3	1

5. Capital assets:

Capital assets consist of the following:

	2008			2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 72	\$ 40	\$ 32	\$ 65	\$ 16	\$ 49
Leasehold improvements, net	320	85	235	270	38	232
Furniture and equipment	466	135	331	440	51	389
	\$ 858	\$ 260	\$ 598	\$ 775	\$ 105	\$ 670

6. 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 equal to the broker's overnight rate plus a percentage ranging from 0.15% to 1.25%, depending on the amount of margin used.

7. Bank indebtedness:

The Company has an operating line of credit with the Royal Bank of Canada ("RBC") for up to \$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 December 31, 2008, the Company had utilized \$953 (December 31, 2007 - \$674) of the line of credit.

8. Advances from affiliated company:

As at December 31, 2008, the Company had advances which are unsecured and interest free from PowerOne Capital Markets Limited ("PowerOne") of \$1,250 (December 31, 2007 - \$10,628). The Company owns a 50% interest in PowerOne, an Ontario limited market dealer.

PINETREE CAPITAL LTD.

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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 years ended December 31:

Type of Service	Nature of Relationship	2008	2007
Consulting fees (a)	Director, shareholders, and officers	\$ 978	\$ 803
Consulting bonuses (b)	Director, shareholders, and officers	-	22,271
Director fees	Directors	113	32
Interest expense	Affiliated companies	-	710
Interest expense (c)	Director, shareholder, and officer	1,133	430
Other income (d)	Affiliated companies	590	594
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 ("CEO"), 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 nil (2007 - \$21,306) relating to this bonus. Other bonuses of \$965 were also paid to officers of the Company in 2007.
- (c) From time to time, the CEO advances funds to Pinetree. On December 15, 2008, the Company entered into a \$25,000 credit facility (the "Credit Facility") with the CEO. The Credit Facility is 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 7) and in favour of the Company's brokers in respect to its margin borrowings (note 6). The Credit Facility matures on December 15, 2009, bears interest at a rate of 1% per month on the outstanding principal amount and has a standby fee of 0.25% per annum on the undrawn portion of the Credit Facility calculated daily and payable monthly in arrears. Prior to the establishment of the Credit Facility, the advances from officer were unsecured, due on demand, and bore interest at 8% per annum.

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9. Related party transactions (continued):

During the year ended December 31, 2008, the CEO advanced a maximum of \$44,753 (2007 - \$76,938) to the Company, and included in the consolidated statements of operations is \$1,133 (2007 - \$430) of interest expense relating to these advances. As at December 31, 2008, the Company had used \$24,234 of the Credit Facility.

- (d) Other income relates to consulting, sublease, and services agreements of approximately \$590 (2007 - \$594) 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.
- (e) During the year ended December 31, 2008, the Company received dividend income of \$11,728 (2007 - \$7,925) from PowerOne.
- (f) During the year ended December 31, 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 year ended December 31, 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.

- (g) During the year ended December 31, 2008, the Company granted 1,425,000 options to officers and directors of the Company, exercisable at prices between \$2.82 and \$3.14 per share and expiring between April 10, 2013 and June 16, 2013.

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10. 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, December 31, 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 year ended December 31, 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.
- (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.

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

10. Share capital (continued):

(d) Stock option plans:

The Company grants stock options to eligible directors, officers, employees and consultants pursuant to its 2007 Stock Option Plan (the "2007 Plan"). The 2007 Plan was established during the Company's fiscal year ended December 31, 2007 and replaced all other stock option plans of the Company (which were concurrently terminated). Options granted under these other plans which remain outstanding are now governed by the 2007 Plan. Under the terms of the 2007 Plan, the number of common shares which may be issued pursuant to the exercise of options granted under or otherwise governed by the 2007 Plan may not exceed 10% of the number of common shares outstanding at the time of grant, however, the number of options that have been cancelled or expired unexercised (whether in full or in part) will once again be issuable under the 2007 Plan. The exercise price of an option granted under the 2007 Plan is determined by the Board of Directors but cannot be less than the closing price of the common shares on the TSX on the last day on which the common shares trade prior to the grant date of the option. The Board of Directors has the discretion to determine the term and vesting provisions (if any) of options granted under the 2007 Plan, provided that the option terms may not exceed 10 years.

In the last quarter of 2008, the Company established a fixed schedule of option grant dates. Going forward, options may be granted on a quarterly basis, on four designated dates during the year.

(e) Stock options:

The following table summarizes stock options granted during the year ended December 31, 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 year ended December 31, 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.

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10. Share capital (continued):

The fair value of the options granted during the year ended December 31, 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	95.6% - 97.6%
Expected dividend yield	0.0%
Risk-free interest rate	3.25%
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 year ended December 31, 2008, included in operating, general and administrative expenses is stock-based compensation of \$1,422 (2007 - \$5,622) relating to the stock options granted during the year and \$9,953 (2007 - \$519) relating to stock options granted in prior years to directors, officers, employees, and consultants of the Company.

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10. Share capital (continued):

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

Stock Options	2008		2007	
	# of Options	Weighted Average Exercise Price	# of Options	Weighted Average Exercise Price
Outstanding, at beginning of year	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	(300,000)	9.10	-	-
Outstanding, at end of year	6,182,208	\$ 5.38	5,364,364	\$ 5.88
Exercisable, at end of year	4,650,646	\$ 5.68	2,379,774	\$ 4.07

The following table summarizes information about stock options outstanding and exercisable as at December 31, 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
100,000	100,000	9.74	February 4, 2012
912,500	812,498	13.02	April 26, 2012
50,000	41,600	9.50	July 2, 2012
25,000	20,820	4.08	September 3, 2012
2,522,000	2,101,584	5.45	September 16, 2012
1,447,500	482,336	3.14	April 10, 2013
50,000	16,600	2.82	June 16, 2013
6,182,208	4,650,646		

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

10. Share capital (continued):

- (f) Warrants and broker warrants:

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

	2008		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 year	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 year	22,542,671	\$ 7.21	13,181,250	\$ 9.89

The following table summarizes the warrants and broker warrants outstanding as at December 31, 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

- (g) Contributed surplus transactions for the respective years 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 (note 10(e))	11,375
Exercise of stock options (note 10(b))	(143)
Balance, December 31, 2008	\$ 17,667

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

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11. 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 could purchase up to 4,500,000 common shares, representing approximately 4.5% of the common shares outstanding as at September 19, 2007. Daily purchases could not exceed 201,477 common shares, except pursuant to a particular exemption under the TSX rules. Purchases would have been made in open market transactions through the facilities of the TSX at market prices prevailing at the time of acquisition. All common shares purchased under the NCIB would have been cancelled.

Pinetree did not purchase any common shares of the Company during the year ended December 31, 2008. The NCIB expired on September 25, 2008.

12. Lease commitments:

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

2009	\$	650
2010		650
2011		689
2012		687
2013		681
	\$	3,357

13. Income taxes:

- (a) The provision for (recovery of) income taxes attributable to income before income taxes differs from the amounts computed by applying the combined federal and provincial tax rate of 33.50% (2007 – 36.12%) of pre-tax income (loss) as a result of the following:

	2008	2007
Loss before income taxes	\$ (448,738)	\$ (133,973)
Computed expected income tax recovery	(150,328)	(48,391)
Non-taxable portion of capital losses (gains)	188	(319)
Non-taxable portion of unrealized losses	5,495	4,406
Non-taxable stock-based compensation expense	3,811	2,218
Tax rate differential	5,239	(5,063)
Foreign tax rate differential	(615)	6,481
Future income tax asset valuation allowance	43,754	-
Permanent and other differences	(234)	(1,700)
Recovery of income taxes	\$ (92,690)	\$ (42,368)

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

13. Income taxes (continued):

- (b) Significant components of the provision for (recovery of) income taxes for the year ended December 31 are as follows:

	2008	2007
Current tax expense (recovery)	\$ (15,760)	\$ 7,708
Future income tax recovery relating to origination and reversal of temporary differences	(76,930)	(50,076)
Recovery of income taxes	\$ (92,690)	\$ (42,368)

- (c) 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:

	2008	2007
Future income tax assets		
Non-capital losses	\$ 77,737	\$ -
Corporate minimum tax credit	4,103	3,611
Share issuance costs	2,986	3,475
Investments – differences in carrying value and tax cost	2,500	-
Capital assets – differences in amortized and unamortized cost	182	-
Total future income tax assets	87,508	7,086
Less: valuation allowance (i)	(43,754)	-
Net future income tax assets	43,754	7,086
Future income tax liabilities		
Investments – differences in carrying value and tax cost	(259)	(40,521)
Net future income tax liabilities	(259)	(40,521)
Net future income tax assets (liabilities)	\$ 43,495	\$ (33,435)

- (i) 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 levels 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 \$43,754.

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13. Income taxes (continued):

- (d) At December 31, 2008, the Company has approximately \$245,422 of non-capital losses available to reduce future years' income for tax purposes, the tax effect of which has been recorded in the accounts, less the valuation allowance. The non-capital losses will expire on December 31, 2028.

14. Management of capital:

The Company includes the following in its capital as at December 31,:

	2008	2007
Due to brokers	\$ 50	\$ 86,601
Bank indebtedness	953	674
Advances from officer	24,234	-
Advances from affiliated company	1,250	10,628
Shareholders' equity comprised of		
Share capital	267,848	236,126
Warrants and broker warrants	72,268	61,891
Contributed surplus	17,667	6,435
Retained earnings (deficit)	(183,573)	172,475
	\$ 200,697	\$ 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 its 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; and

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14. Management of capital (continued):

- (d) utilizing a Credit Facility from the CEO (see note 9(c)) and borrowing funds in the form of advances from related parties.

The Company is not subject to any capital requirements imposed by a regulator. When using margin for its investing activities, however, Pinetree is subject to the margin requirements applicable thereto, which can require, at any time and from time to time, that the Company provide additional funds to its brokers depending upon the then-value of its investments purchased on margin. During the year, the Company reduced its use of leverage in line with the reduction of the value of the Company's investments.

The payment of cash dividends does not form part of Pinetree's current capital management program and, to date, the Company has not declared any cash dividends on its shares. 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 December 31, 2008.

15. 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 lesser proceeds of disposition and 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. Pinetree invests significantly in securities of "junior" issuers, which can at times be relatively illiquid, and if the Company decides to dispose of securities of a particular issuer it may not be able to do so at the time at all or at favourable prices. Overall, 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, such that absent overall market disruptions or extreme circumstances, liquidity risk can be minimized.

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

15. Financial instruments (continued):

The Company uses varying levels of 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). 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. During the 2008 fiscal year, Pinetree reduced its reliance on margin borrowing. The Company holds investments which can be converted into cash when required.

As at December 31, 2008, the Company had used margin of \$50 and had additional margin available of \$1,148. 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 December 31, 2008:

Percentage of Change in Closing Bid Prices	Margin Available From a % Increase in Closing Bid Price	Margin Available From a % Decrease in Closing Bid Price
2%	\$ 1,179	\$ 1,117
4%	1,209	1,086
6%	1,240	1,056
8%	1,271	1,025
10%	1,301	994

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15. Financial instruments (continued):**(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. The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required. During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations.

The following table shows the estimated sensitivity of the Company's after-tax net income (loss) for the year ended December 31, 2008 from a change in the closing bid price of the Company's investments with all other variables held constant as at December 31, 2008:

Percentage of Change in Closing Bid Prices	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%	\$ 1,835	\$ (1,835)
4%	3,671	(3,671)
6%	5,506	(5,506)
8%	7,341	(7,341)
10%	9,177	(9,177)

(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 December 31, 2008, the Company had liabilities comprised of due to brokers (margin) and bank indebtedness (collectively "interest risk liabilities"), which bear interest at rates fluctuating with the prime rate or overnight lending rate.

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

15. Financial instruments (continued):

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 Company allocates its borrowings amongst these three sources with a view to reducing interest rate and liquidity risk.

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 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%	\$ (73)	\$ 73
0.50%	(147)	147
0.75%	(220)	220
1.00%	(294)	294

(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.

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

15. Financial instruments (continued):

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

	2008	2007
Denominated in U.S. dollars:		
Investments	\$ 6,102	\$ 39,827
Cash and cash equivalents	26	31
Due from brokers	53	2,737
Prepays and other receivables	92	-
Due to brokers	(6)	-
Accounts payable and accrued liabilities	(11)	(31)
Income taxes payable	-	(60)
Net assets denominated in U.S. dollars	<u>6,256</u>	<u>42,504</u>
Denominated in Australian dollars:		
Investments	4,365	13,140
Due to brokers	(61)	(506)
Net assets denominated in Australian dollars	<u>4,304</u>	<u>12,634</u>
Denominated in British pounds:		
Investments	187	410
Denominated in South African rands:		
Investments	-	234
Denominated in Hong Kong dollars:		
Investments	-	10

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2008:

Percentage of Change in Foreign Currencies	Change in Net After-tax Income (Loss) From an Increase in % in the U.S dollar exchange rate	Change in Net After - Tax Income (Loss) From a Decrease in % in the U.S dollar exchange rate
2%	\$ 83	\$ (83)
4%	166	(166)
6%	250	(250)
8%	333	(333)
10%	416	(416)

PINETREE CAPITAL LTD.**Notes To The Consolidated Financial Statements****December 31, 2008 and 2007****(In thousands of dollars, except for securities and per share amounts)**

15. Financial instruments (continued):

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the year ended December 31, 2008 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at December 31, 2008:

Percentage of Change in Foreign Currencies	Change in Net After-tax Income (Loss) From an Increase in % in the Australian dollar exchange rate	Change in Net After - Tax Income (Loss) From a Decrease in % in the Australian dollar exchange rate
2%	\$ 57	\$ (57)
4%	114	(114)
6%	172	(172)
8%	229	(229)
10%	286	(286)

(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 December 31, 2008, the total fair value of these investments was \$2,810. The Company believes it is not significantly exposed to credit risk as these investments comprise 2.1% 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 from/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 and equity accounted investments are carried at amounts in accordance with the Company's accounting policies.
- (iii) The Company does not have any other comprehensive income (loss) components and, as such, comprehensive income (loss) is equal to net income (loss).

PINETREE CAPITAL LTD.

Notes To The Consolidated Financial Statements

December 31, 2008 and 2007

(In thousands of dollars, except for securities and per share amounts)

16. Segmented information:

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

17. 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") in place of Canadian GAAP. Pinetree will adopt IFRS commencing January 1, 2011, with comparatives for the year commencing January 1, 2010. The Company has initiated an IFRS transition project. At this point, it is too early to comment on the anticipated financial impact to the consolidated balance sheet and ongoing results of operation resulting from the transition to IFRS.

18. Comparative consolidated financial statements:

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the December 31, 2008 consolidated financial statements.

19. Subsequent event:

Subsequent to December 31, 2008, the Company repaid a net amount of \$114 of the Credit Facility from the CEO (note 9(c)).