

Interim Consolidated Financial Statements of



**(Unaudited)
September 30, 2009**

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PINETREE CAPITAL LTD.
Consolidated Balance Sheets
As at September 30, 2009 and December 31, 2008
(Unaudited - in thousands of dollars)

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Assets		
Investments, at fair value (notes 3(a, b))	\$ 301,253	\$ 133,969
Equity accounted investments (note 3(c))	1,988	3,567
Cash and cash equivalents	112	28
Due from brokers	24	52
Prepays and other receivables (note 6(f))	1,501	445
Capital assets	504	598
Income taxes receivable	3,055	18,985
Future income tax assets (note 9)	18,335	43,754
	<u>\$ 326,772</u>	<u>\$ 201,398</u>
Liabilities and Shareholders' Equity		
Due to brokers (note 4)	\$ 9,645	\$ 50
Bank indebtedness, net (note 5)	-	953
Accounts payable and accrued liabilities	492	442
Advances from officer (note 6(b))	-	24,234
Advances from affiliated company	-	1,250
	<u>10,137</u>	<u>26,929</u>
Future income tax liabilities (note 9)	-	259
	<u>10,137</u>	<u>27,188</u>
Lease commitments (note 8)		
Shareholders' equity		
Share capital (note 7)	270,118	267,848
Warrants and broker warrants (note 7(d))	68,825	72,268
Contributed surplus (note 7(e))	24,166	17,667
Deficit	(46,474)	(183,573)
	<u>316,635</u>	<u>174,210</u>
	<u>\$ 326,772</u>	<u>\$ 201,398</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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net investment gains (losses)				
Gains (losses) on disposal of investments, net (note 6(d))	\$ (5,405)	\$ 5,194	\$ (32,087)	\$ (1,585)
Unrealized gains (losses) on investments, net	74,210	(257,634)	201,222	(318,829)
Gain on disposal of equity accounted investment (note 6(e))	370	-	370	-
Income (losses) from equity accounted investments (note 3(c))	295	(3,769)	(39)	(3,987)
	<u>69,470</u>	<u>(256,209)</u>	<u>169,466</u>	<u>(324,401)</u>
Other income				
Interest and dividend income	28	105	150	434
Other income (note 6(c))	148	147	3,241	444
	<u>69,646</u>	<u>(255,957)</u>	<u>172,857</u>	<u>(323,523)</u>
Expenses				
Operating, general and administrative (notes 6 and 7(c))	1,956	4,420	6,537	13,196
Transaction costs	337	164	877	1,206
Foreign exchange loss (gain)	(216)	(249)	1,381	138
Amortization	33	39	98	114
Interest (note 6(b))	298	832	1,691	3,100
	<u>2,408</u>	<u>5,206</u>	<u>10,584</u>	<u>17,754</u>
Income (loss) before income taxes	<u>67,238</u>	<u>(261,163)</u>	<u>162,273</u>	<u>(341,277)</u>
Provision for (recovery of) income taxes	<u>3,391</u>	<u>(50,310)</u>	<u>25,174</u>	<u>(78,793)</u>
Net income (loss) for the period (note 11(f(iii)))	<u>\$ 63,847</u>	<u>\$ (210,853)</u>	<u>\$ 137,099</u>	<u>\$ (262,484)</u>
Earnings (loss) per common share				
Basic	\$ 0.48	\$ (1.63)	\$ 1.04	\$ (2.21)
Diluted	\$ 0.48	\$ (1.63)	\$ 1.04	\$ (2.21)
Weighted average number of common shares outstanding				
Basic	132,258,852	129,248,224	131,687,106	119,008,339
Diluted	133,042,710	129,248,224	132,324,065	119,008,339

See accompanying notes to the consolidated financial statements.

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

	<u>2009</u>	<u>2008</u>
Retained earnings (deficit), beginning of period	\$ (183,573)	\$ 172,475
Net income (loss) for the period	<u>137,099</u>	<u>(262,484)</u>
Deficit, end of period	\$ (46,474)	\$ (90,009)

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	
	2009	2008	2009	2008
Cash flows from (used in) operating activities				
Net income (loss) for the period	\$ 63,847	\$ (210,853)	\$ 137,099	\$ (262,484)
Items not affecting cash				
Losses (gains) on disposal of investments, net	5,405	(5,194)	32,087	1,585
Unrealized losses (gains) on investments, net	(74,210)	257,634	(201,222)	318,829
Gain on disposal of equity accounted investment	(370)	-	(370)	-
Losses (income) from equity accounted investments	(295)	3,769	39	3,987
Amortization	33	39	98	114
Stock-based compensation (note 7(c))	688	2,964	3,067	9,152
Net future income tax assets	3,391	(49,873)	25,160	(62,307)
	(1,511)	(1,514)	(4,042)	8,876
Changes in non-cash working capital balances related to operations				
Prepays and other receivables	65	315	(1,056)	279
Due from brokers	2	-	28	-
Income taxes receivable	3,896	1,998	15,930	(11,477)
Accounts payable and accrued liabilities	(91)	565	50	(10,326)
Income taxes payable	-	-	-	(737)
	2,361	1,364	10,910	(13,385)
Cash flows from financing activities				
Proceeds from issue of share capital pursuant to private placements, net	-	40,888	-	40,888
Proceeds from issue of share capital pursuant to exercise of stock options (note 7(a))	-	-	18	340
Advances from (repayments to) officer	(15,905)	19,669	(24,234)	19,669
Due to brokers	(28,083)	(65,803)	9,595	(84,914)
Advances from (repayments to) affiliated company	-	500	(1,250)	(10,128)
Bank indebtedness	-	124	(953)	247
	(43,988)	(4,622)	(16,824)	(33,898)
Cash flows from investing activities				
Purchase of capital assets, net	-	(6)	(4)	(81)
Purchase of investments	(33,786)	(27,058)	(126,646)	(178,159)
Proceeds on disposal of investments	72,750	32,343	130,738	215,797
Purchase of equity accounted investments	(19)	(1,974)	(740)	(1,974)
Proceeds on disposal of equity accounted investment	2,650	-	2,650	-
Dividend received from equity accounted investment	-	-	-	11,728
	41,595	3,305	5,998	47,311
Net increase (decrease) in cash and cash equivalents, during the period	(32)	47	84	28
Cash and cash equivalents, beginning of period	144	47	28	66
Cash and cash equivalents, end of period	\$ 112	\$ 94	\$ 112	\$ 94
Supplemental cash flow information				
Income taxes paid	\$ -	\$ 1,041	\$ -	\$ 1,233
Interest paid	298	832	1,691	3,100

See accompanying notes to the consolidated financial statements.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

September 30, 2009

(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, Precious Metals, Base Metals, and Potash, Lithium and Rare Earths. 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.

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 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 Company's audited consolidated financial statements for the year ended December 31, 2008, together with the notes thereto. Accounting policies followed in the preparation of the annual consolidated financial statements are consistent with those used in the preparation of the September 30, 2009 interim consolidated financial statements except for the following:

Effective January 1, 2009, the Company adopted prospectively the following new Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") accounting standard for interim and annual financial statements for fiscal years beginning on or after October 31, 2008:

- (a) The CICA Handbook 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. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The adoption of this standard did not have an 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., Pinetree (Barbados) Inc., Emerald Capital Corp. and Pinetree Capital Investment Corp., as well as the accounts of Pinetree Resource Partnership and Pinetree Income Partnership in which Pinetree directly and indirectly owns an aggregate 100% partnership interest. All significant inter-company accounts and transactions have been eliminated on consolidation.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

September 30, 2009

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

3. Investments:

(a) Investments consist of the following as at September 30, 2009 by sector:

As at September 30, 2009:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Uranium)					
Mega Uranium Ltd.	(i, ii, iii)	10,000,000 common shares 54,200 warrants expire Feb 13, 2012 914,712 warrants expire Feb 22, 2012	\$ 36,958	\$ 11,608	23.2
Cline Mining Corp.	(i, ii, iii)	13,500,000 common shares	10,409	5,805	11.6
Rockgate Capital Corp.	(i, ii, iii)	8,125,000 common shares 500,000 warrants expire Mar 27, 2010 250,000 warrants expire Jul 28, 2011	8,057	4,050	8.1
Peninsula Minerals Ltd.	(i)	39,166,666 common shares 4,104,166 warrants expire Jun 30, 2012	2,165	2,239	4.5
Tournigan Energy Ltd.	(i, iii)	7,373,750 common shares	2,367	1,733	3.5
Continental Precious Minerals Inc.	(ii, iii)	3,732,000 common shares 1,000,000 warrants expire May 6, 2012	1,919	1,623	3.2
Pele Mountain Resources Inc.	(ii, iii)	8,000,000 common shares 1,000,000 warrants expire Feb 22, 2010	2,823	1,040	2.1
Total of 60 other investments – Resources (Uranium) sector (iv)			70,689	22,028	43.8
			135,387	50,126	100.0
Sector: Resources (Oil & Gas)					
Brownstone Ventures Inc.	(i, ii, iii)	5,679,500 common shares 500,000 warrants expire May 28, 2011	5,321	2,953	13.2
Longford Energy Inc.	(i, ii)	3,250,000 common shares 925,926 warrants expire Feb 28, 2010 750,000 warrants expire Jul 10, 2010 250,000 warrants expire Jul 7, 2011	2,103	2,510	11.2
Vulcan Minerals Inc.	(i, iii)	3,519,500 common shares	2,090	2,323	10.4
Southern Pacific Resources Corp.	(i)	2,500,000 common shares	3,270	1,425	6.4
Canadian Spirit Resources Inc.	(i, ii)	1,700,000 common shares 500,000 warrants expire Feb 19, 2010	1,342	1,360	6.1
Changfeng Energy Inc.	(iii)	3,346,500 common shares	1,329	1,121	5.0
Total of 37 other investments – Resources (Oil & Gas) sector (iv)			32,332	10,699	47.7
			47,787	22,391	100.0
Sector: Resources (Precious Metals)					
Queenston Mining Inc.	(i, ii, iii)	5,010,000 common shares	12,576	30,060	22.0
Colossus Minerals Inc.	(i, ii, iii)	3,682,500 common shares 200,000 warrants expire Feb 12, 2010 117,500 warrants expire Mar 10, 2011	4,207	22,943	16.8
Evolving Gold Corp.	(i, ii, iii)	10,000,000 common shares	4,394	12,500	9.1
Solitario Exploration & Royalty Corp	(i, iii)	2,448,053 common shares	4,981	5,019	3.7
Mega Precious Metals Inc. (formerly Mega Silver Inc.)	(i, ii, iii)	4,399,836 common shares 375,000 warrants expire Nov 2, 2009	2,484	2,449	1.8

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
September 30, 2009
(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

As at September 30, 2009:

Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Precious Metals) (continued)					
African Gold Group Inc.	(ii, iii)	6,546,395 common shares			
		3,000,000 warrants expire Aug 23, 2009	1,759	2,414	1.8
Metallic Ventures Gold Inc.	(iii)	2,693,100 common shares	4,169	2,343	1.7
Canaco Resources Inc.	(ii, iii)	5,000,000 common shares			
		750,000 warrants expire Mar 19, 2010			
		1,250,000 warrants expire Apr 6, 2010	982	2,246	1.6
Bear Gold Lake Ltd. (formerly NFX Gold Inc.)	(ii, iii)	10,000,000 common shares			
		1,000,000 warrants expire Oct 23, 2010			
		750,000 warrants expire Jun 4, 2011	7,953	2,199	1.6
Latin American Minerals Inc.	(ii, iii)	8,650,000 common shares			
		500,000 warrants expire Feb 19, 2010	5,097	1,990	1.5
TNR Gold Corp.	(iii)	6,575,000 common shares			
		500,000 warrants expire Oct 17, 2009	1,493	1,960	1.4
Caledonia Mining Corporation	(iii)	27,910,000 common shares	5,340	1,814	1.3
Nortec Ventures Corp.	(ii, iii)	14,580,000 common shares			
		540,000 warrants expire Feb 14, 2010	2,317	1,750	1.3
Temex Resources Corp.	(ii, iii)	8,727,000 common shares			
		1,500,000 warrants expire Nov 2, 2009			
		440,000 warrants expire May 26, 2011	4,752	1,745	1.3
Gold Canyon Resources Inc.	(ii, iii)	5,550,000 common shares			
		1,500,000 warrants expire Dec 14, 2009			
		1,000,000 warrants expire Sep 29, 2011	2,036	1,581	1.2
Ontex Resources Limited	(iii)	4,325,000 common shares			
		2,500,000 warrants expire Nov 22, 2009			
		1,250,000 warrants expire Sep 5, 2010			
		1,325,000 warrants expire Feb 24, 2011	1,383	1,536	1.1
Silver Quest Resources Ltd.	(ii, iii)	5,000,000 common shares			
		1,250,000 warrants expire Sep 16, 2010			
		1,250,000 warrants expire Oct 6, 2010	1,032	1,491	1.1
Unigold Inc.	(ii, iii)	7,516,000 common shares	3,539	1,353	1.0
Niogold Mining Corp.	(ii, iii)	5,151,500 common shares	2,084	1,185	0.9
Rye Patch Gold Corp.	(ii, iii)	3,009,500 common shares			
		1,000,000 warrants expire Feb 23, 2011			
		500,000 warrants expire Mar 11, 2011	935	1,128	0.8
Redstar Gold Corp.	(ii, iii)	6,600,000 common shares	1,404	1,122	0.8
Merrex Gold Inc.	(iii)	3,000,000 common shares			
		1,000,000 warrants expire May 28, 2010	1,567	1,060	0.8
Commander Resources Ltd.	(iii)	5,000,000 common shares	1,934	1,050	0.8
Total of 107 other investments – Resources (Precious Metals) sector (iv)			89,925	34,005	24.6
			168,343	136,943	100.0

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

September 30, 2009

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

3. Investments (continued):

As at September 30, 2009:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Potash, Lithium and Rare Earths)					
Ucore Uranium Inc.	(i, ii, iii)	8,100,000 common shares 1,250,000 warrants expire Jul 24, 2011	3,437	7,902	31.0
Canada Lithium Corp. (formerly Black Pearl Minerals Consolidated Inc.)	(i, iii)	8,500,000 common shares 2,022,500 warrants expire Sep 30, 2011	3,202 2,573	4,151	16.3
Orocobre Ltd.	(i)	2,500,000 common shares	1,100	3,394	13.3
Sirius Exploration plc	(i)	11,333,334 common shares		2,528	9.9
New World Resource Corp.	(i, iii)	6,086,852 common shares 925,926 warrants expire Sep 25, 2010 1,000,000 warrants expire Jun 26, 2011	3,040	1,883	7.4
49 North Resources Inc.	(ii, iii)	815,000 common shares 815,000 warrants expire Jun 18, 2011	2,241	1,881	7.4
Total of 12 other investments – Resources (Potash, Lithium and Rare Earths) sector (iv)			6,652	3,783	14.7
			22,245	25,522	100.0
Sector: Resources (Base Metals)					
Macarthur Minerals Ltd.	(i, ii, iii)	4,387,200 common shares 500,000 warrants expire Jan 3, 2010	5,301	3,510	7.2
Creston Moly Corp.	(i, iii)	10,084,900 common shares 2,500,000 warrants expire May 9, 2010	8,268	3,013	6.2
MBMI Resources Inc.	(i, iii)	7,082,074 common shares \$50,000 convertible debenture \$50,000 bridge loan 1,000,000 warrants expire Dec 29, 2010 1,000,000 warrants expire May 28, 2011	6,160	2,898	6.0
Uranium Star Corp.	(i, iii)	3,000,000 common shares 1,500,000 warrants expire Jun 16, 2011	675	2,545	5.2
Noront Resources Ltd.	(i, ii)	1,460,000 common shares	2,815	2,540	5.2
International Nickel Ventures Corp.	(ii)	2,500,000 common shares	3,315	2,375	4.9
Infrastructure Materials Corporation	(ii, iii)	7,500,000 common shares	2,872	2,091	4.3
MacDonald Mines Exploration Ltd.	(ii, iii)	12,175,000 common shares 3,075,000 warrants expire Oct 29, 2009	6,601	1,583	3.3
Total of 97 other investments – Resources (Base Metals) sector (iv)			106,096	28,108	57.7
			142,103	48,663	100.0
Sector: Biotechnology					
Antisense Therapeutics Limited	(i, iii)	37,500,000 common shares	2,055	1,774	36.6
GeneNews Ltd.	(i)	2,459,500 common shares	1,668	1,476	30.4
Total of 6 other investments – Biotechnology sector (iv)			6,654	1,601	33.0
			10,377	4,851	100.0

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

September 30, 2009

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

3. Investments (continued):

As at September 30, 2009:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Energy Related Technology					
Opel International Inc.	(i, ii, iii)	6,150,000 common shares 750,000 warrants expire Dec 13, 2009 1,000,000 warrants expire May 11, 2010	6,037	2,429	46.3
Total of 11 other investments – Energy Related Technology sector (iv)			10,644	2,819	53.7
			16,681	5,248	100.0
Sector: Technology and Other					
Kyoto Planet Capital Partners	(i)	15,000,000 common shares	3,000	1,374	18.3
View22 Technology Inc.	(i)	1,138,000 common shares \$525,000 convertible debenture 150,000 warrants expire Jul 8, 2010 500,000 warrants expire Aug 2, 2010	1,225	1,152	15.3
Total of 23 other investments – Technology and Other sector (iv)			16,968	4,983	66.4
			21,193	7,509	100.0
Total investments (v)			\$ 564,116	\$ 301,253	

- (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, 2009.
- (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 September 30, 2009.
- (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, 2009.
- (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, 2009.
- (v) As at September 30, 2009, included in total investments were securities of private companies with a fair value totaling \$25,910 (cost of \$42,541) determined in accordance with the Company’s accounting policy for private company investments.

Pinetree Capital Ltd.
Notes to Consolidated Financial Statements
September 30, 2009
(Unaudited – in thousands of dollars, except for securities and per share amounts)

3. Investments (continued):

(b) Investments 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 (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
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.	(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

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

September 30, 2009

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

3. Investments (continued):

As at December 31, 2008:					
Issuer	Note	Security Description	Cost	Fair Value	% of Sector (FV)
Sector: Resources (Potash, Lithium 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, Lithium 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	23.2
Macarthur Minerals Ltd.	(i, ii, iii)	4,157,700 common shares			
		500,000 warrants expire Jul 3, 2009	5,109	4,781	17.9
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	6.7
Total of 90 other investments – Resources (Base Metals) sector (iv)			120,615	13,907	52.2
			157,577	26,688	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, 2009	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
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.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

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

3. Investments (continued):

- (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.
- (c) Equity accounted investments consist of the following as at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Equity accounted investments - carrying value, beginning of period	\$ 3,567	\$ 19,555
Purchases of equity accounted investments	740	1,974
Proceeds on disposal of equity accounted investment (note 6(f))	(2,650)	-
Gain on disposal of equity accounted investment (note 6(f))	370	-
Losses from equity accounted investments	(39)	(6,234)
Dividend received from equity accounted investment	-	(11,728)
Equity accounted investments - carrying value, end of period	\$ 1,988	\$ 3,567
Equity accounted investments - cost	\$ 2,714	\$ 1,974
Number of equity accounted investments	3	3

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 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. Pinetree does not hedge against any interest rate risks.

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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, 2009, the Company had utilized nil (December 31, 2008 - \$953) of the line of credit.

6. 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	2009	2008
Consulting fees (a)	Director, shareholders, and officers	\$ 668	\$ 771
Consulting bonuses (b)	Director, shareholder, and officer	-	560
Director's fees	Directors	102	72
Interest expense (c)	Director, shareholder, and officer	1,514	662
Other income (d)	Affiliated companies	3,239	444
Dividend income	Affiliated company	-	11,728
Realized gains (losses) on disposal of investments (e)	Affiliated companies	406	(21,437)
Realized gains on disposal of equity accounted investments (f)	Director, shareholder, and officer	370	-

- (a) Consulting agreements are with the Company's Chairman and Chief Executive Officer ("CEO"), Vice President - Legal & Corporate Affairs, and Vice President - Business Development. 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 10% of the realized pre-tax profit of the Company. The CEO is also entitled to 10% of a limited market dealer's net realized pre-tax profit in which the Company had a 50% ownership (the "LMD") excluding distributions made by the LMD to the Company. The Company sold its 50% interest in the LMD during the current period and subsequent to the sale, the CEO is no longer entitled to a bonus based on the pre-tax profit of the LMD (see note 6(f)). Included in operating, general and administrative expenses (including GST) is nil (nine months ended September 30, 2008 - \$560) relating to this bonus.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

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6. Related party transactions (continued):

- (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 bank line of credit (note 5) and in favour of the Company's brokers in respect of its margin borrowings (note 4). 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. During the nine months ended September 30, 2009, a maximum balance of \$24,549 was outstanding under the Credit Facility. Included in the consolidated statements of operations is \$1,514 (nine months ended September 30, 2008 - \$662) of interest expense relating to this balance. As at September 30, 2009, there was no balance outstanding under the Credit Facility.
- (d) Other income relates to consulting, sublease, and services agreements of approximately \$3,239 (nine months ended September 30, 2008 - \$444) 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 nine months ended September 30, 2009, 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 from the sales were \$1,348 and the Company recognized an aggregate realized gain of \$406 on the sales. During the nine months ended September 30, 2009, the Company also purchased certain investments from Mega, at market, for a total cost of \$1,880.

During the nine months ended September 30, 2008, the Company sold certain of its investments at market price to Mega. Total proceeds on the sales were \$12,816 and the Company recognized an aggregate realized loss of \$15,195 on the sales.

During the nine months ended September 30, 2008, the Company sold certain of its investments at market price 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 ("TSXV") under the symbol "BWN". Total proceeds from the sales were \$25,134 and the Company recognized an aggregate realized loss of \$6,242 on the sales.

Pinetree Capital Ltd.

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September 30, 2009

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

6. Related party transactions (continued):

- (f) During the nine months ended September 30, 2009, the Company sold an equity accounted investment, its 50% interest in PowerOne Capital Markets Limited with a carrying value of \$2,280 to the Company's CEO for total proceeds of \$2,650. The Company recognized a gain on the disposal of the equity accounted investment of \$370. As at September 30, 2009, the Company had a receivable of \$1,265 from PowerOne.
- (g) During the nine months ended September 30, 2009, the Company granted 3,480,000 options to officers and directors of the Company, of which 1,200,000 options were exercisable at \$1.29 per share expiring March 31, 2014; 50,000 options were exercisable at \$1.73 per share expiring on June 29, 2014; and 2,230,000 options were exercisable at \$1.46 per share expiring on August 31, 2014.

7. Share capital:

Authorized: Unlimited number of common shares, no par value

Issued and outstanding common shares:

	# of Shares	Amount
Balance, December 31, 2007	113,632,032	\$ 236,126
Issued pursuant to exercise of stock options	404,656	483
Issued pursuant to private placement financing, net	17,277,300	31,239
Balance, December 31, 2008	131,313,988	\$ 267,848
Issued pursuant to exercise of stock options (a)	30,068	29
Issued pursuant to an investment in 49 North Resource Fund Inc. (b)	914,796	2,241
Balance, September 30, 2009	132,258,852	\$ 270,118

- (a) During the nine months ended September 30, 2009, 30,068 stock options were exercised at prices of between \$0.59 and \$0.62 per share for total proceeds of \$18. Pursuant to the exercise of stock options, amounts of \$11 in contributed surplus were reallocated to share capital.
- (b) On June 19, 2009, the Company acquired 815,000 units of 49 North Resource Fund Inc. ("49 North") at an aggregate price of \$2,241, in exchange for 914,796 common shares of Pinetree. Each unit was comprised of one common share and one common share purchase warrant of 49 North. Each warrant is exercisable for one common share of 49 North at a price per share of \$3.50 until expiry on June 18, 2011. 49 North is an investment company and a reporting issuer trading on the TSXV under the symbol "FNR".
- (c) Stock options:

In accordance with CICA Handbook Section 3870, options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense and credits contributed surplus for all options granted.

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 30, 2009****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

7. Share capital (continued):

The following table summarizes stock options granted during the nine months ended September 30, 2009:

Date granted	Options granted	Exercise price	Expiry
April 1, 2009	1,535,000	\$ 1.29	March 31, 2014
June 30, 2009	50,000	1.73	June 29, 2014
September 1, 2009	2,526,400	1.46	August 31, 2014
Total granted	4,111,400		

The fair value of the options granted during the nine months ended September 30, 2009 was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Black-Scholes assumptions used	
Expected volatility	97.6%-98.1%
Expected dividend yield	0.0%
Risk-free interest rate	2.25%
Expected option life in years	3.5
Fair value per stock option granted on April 1, 2009	\$ 0.84
Fair value per stock option granted on June 30, 2009	\$ 1.13
Fair value per stock option granted on September 1, 2009	\$ 0.96

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	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

For the nine months ended September 30, 2009, included in operating, general and administrative expenses is stock-based compensation of \$3,067 (nine months ended September 30, 2008 - \$9,152) relating to stock options granted to directors, officers, and employees of the Company.

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 30, 2009****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

7. Share capital (continued):

A summary of the status of the Company's stock options as at September 30, 2009 and December 31, 2008 and changes during the periods then ended are presented below:

	Nine months ended September 30, 2009		Twelve months ended December 31, 2008	
	# of Options	Weighted Average Exercise Price	# of Options	Weighted Average Exercise Price
Stock Options				
Outstanding, at beginning of period	6,182,208	\$ 5.38	5,364,364	\$ 5.88
Granted	4,111,400	1.40	1,522,500	3.13
Exercised	(30,068)	0.62	(404,656)	0.84
Cancelled/terminated	(50,000)	2.82	(300,000)	9.10
Outstanding, at end of period	10,213,540	\$ 3.80	6,182,208	\$ 5.38
Exercisable, at end of period	6,124,276	\$ 5.34	4,650,646	\$ 5.68

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2009:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
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	912,500	13.02	April 26, 2012
50,000	50,000	9.50	July 2, 2012
25,000	25,000	4.08	September 3, 2012
2,522,000	2,522,000	5.45	September 16, 2012
1,447,500	1,206,086	3.14	April 10, 2013
1,535,000	255,250	1.29	March 31, 2014
50,000	8,300	1.73	June 29, 2014
2,526,400	-	1.29	August 31, 2014
10,213,540	6,124,276		

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

September 30, 2009

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

7. Share capital (continued):

(d) Warrants and broker warrants:

A summary of the status of the Company's warrants and broker warrants as at September 30, 2009 and December 31, 2008 and the changes during the periods then ended are presented below:

Warrants and Broker Warrants	Nine months ended September 30, 2009		Twelve months ended December 31, 2008	
	# of Warrants and Broker Warrants	Weighted Average Exercise Price	# of Warrants and Broker Warrants	Weighted Average Exercise Price
Outstanding, at beginning of period	22,542,671	\$ 7.21	13,181,250	\$ 9.89
Issued	-	-	9,361,421	3.44
Expired	(550,000)	12.13	-	-
Outstanding, at end of period	21,992,671	\$ 7.09	22,542,671	\$ 7.21

The following table summarizes the warrants and broker warrants outstanding as at September 30, 2009:

Number of warrants and broker warrants	Exercise price	Expiry date	Warrant/broker warrant value
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
21,992,671			\$ 68,825

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

	Amount
Balance, December 31, 2007	\$ 6,435
Stock-based compensation	11,375
Exercise of stock options	(143)
Balance, December 31, 2008	17,667
Stock-based compensation (note 7(c))	3,067
Exercise of stock options (note 7(a))	(11)
Reallocation of expired broker warrants	3,443
Balance, September 30, 2009	\$ 24,166

Contributed surplus comprises the fair value of stock-based compensation of \$20,723 and the fair value of expired broker warrants of \$3,443. On April 16, 2009, 550,000 broker warrants exercisable at \$12.13 per share expired unexercised. Pursuant to the expiry of the broker warrants, amounts of \$3,443 were reallocated to contributed surplus.

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 30, 2009****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

8. Lease commitments:

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

2010	\$	650
2011		679
2012		689
2013		681
2014		170
	\$	2,869

9. 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, 2009	December 31, 2008
Future income tax assets		
Non-capital losses	\$ 18,015	\$ 77,737
Transitional Ontario tax credits	3,125	-
Corporate minimum tax credit	4,103	4,103
Share issuance costs	2,200	2,986
Investments – differences in carrying value and tax cost	(9,342)	2,500
Capital assets – differences in amortized and unamortized cost	234	182
Total future income tax assets	18,335	87,508
Less: valuation allowance (a)	-	(43,754)
Net future income tax assets	18,335	43,754
Future income tax liabilities		
Investments – differences in carrying value and tax cost	-	(259)
Net future income tax liabilities	-	(259)
Net future income tax assets	\$ 18,335	\$ 43,495

- (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 will realize the tax benefits of the non-capital loss carry-forwards during the next several years. As such, the Company has

Pinetree Capital Ltd.

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

9. Income taxes (continued):

no valuation allowance as at September 30, 2009 (December 31, 2008 - \$43,754).

- (b) As at September 30, 2009, included in the FTA are approximately \$58,379 of Canadian non-capital losses available to reduce future years' income for tax purposes, the tax effect of which has been recorded in the accounts. The non-capital losses will expire in 20 years.

10. Management of capital:

The Company includes the following in its capital:

	September 30, 2009	December 31, 2008
Due to brokers	\$ 9,645	\$ 50
Bank indebtedness	-	953
Advances from officer	-	24,234
Advances from affiliated company	-	1,250
Shareholders' equity comprised of		
Share capital	270,118	267,848
Warrants and broker warrants	68,825	72,268
Contributed surplus	24,166	17,667
Deficit	(46,474)	(183,573)
	\$ 326,280	\$ 200,697

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;

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September 30, 2009

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10. Management of capital (continued):

- (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
- (d) utilizing the Credit Facility (note 6(b)) and otherwise 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.

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 September 30, 2009.

11. 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 liquidity, market, interest rate, currency, and credit 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 become 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.

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 30, 2009****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

11. Financial instruments (continued):

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.

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 material adverse impact on the Company's operating results.

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

As at September 30, 2009, the Company had used margin borrowings of \$9,645 and had additional margin available of \$7,135. 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, 2009:

Percentage of change in closing bid prices	Margin available from a % increase in closing bid price	Margin available (call) from a % decrease in closing bid price
2%	\$ 7,650	\$ 6,788
4%	8,001	6,441
6%	8,351	6,094
8%	8,701	5,747
10%	9,051	5,400

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 30, 2009****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

11. 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 nine months ended September 30, 2009 from a change in the closing bid price of the Company's investments with all other variables held constant as at September 30, 2009:

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%	\$ 4,187	\$ (4,187)
4%	8,375	(8,375)
6%	12,562	(12,562)
8%	16,750	(16,750)
10%	20,937	(20,937)

(c) Interest rate risk:

Interest rate risk is the impact that changes in interest rates could have on the Company's income and liabilities. As at September 30, 2009, the Company had due to brokers (margin) which bear interest at rates fluctuating with the prime rate or overnight lending rate. The Company's obligations under the Credit Facility bear interest at a fixed rate.

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11. 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 following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the nine months ended September 30, 2009 from a change in the interest rate on the average interest risk liabilities with all other variables held constant as at September 30, 2009:

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%	\$ (9)	\$ 9
0.50%	(19)	19
0.75%	(28)	28
1.00%	(37)	37

(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, 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 Consolidated Financial Statements****September 30, 2009****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

11. Financial instruments (continued):

The following assets and liabilities were denominated in foreign currencies translated in Canadian dollars as at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Denominated in U.S. dollars:		
Investments	\$ 11,991	\$ 6,102
Cash and cash equivalents	20	26
Due from brokers	24	53
Prepays and other receivables	133	92
Due to brokers	(7,505)	(6)
Accounts payable and accrued liabilities	(9)	(11)
Net assets denominated in U.S. dollars	<u>4,654</u>	<u>6,256</u>
Denominated in Australian dollars:		
Investments	16,362	4,365
Due from brokers	1,452	(61)
Net assets denominated in Australian dollars	<u>17,814</u>	<u>4,304</u>
Denominated in British pounds:		
Investments	2,641	187
Net assets denominated in British pounds	<u>2,641</u>	<u>187</u>

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the nine months ended September 30, 2009 from a change in the U.S. dollar exchange rate in which the Company has exposure with all other variables held constant as at September 30, 2009:

Percentage of change in U.S. dollar	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%	\$ 65	\$ (65)
4%	129	(129)
6%	194	(194)
8%	259	(259)
10%	323	(323)

Pinetree Capital Ltd.**Notes to Consolidated Financial Statements****September 30, 2009****(Unaudited – in thousands of dollars, except for securities and per share amounts)**

11. 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, 2009 from a change in the Australian dollar exchange rate in which the Company has exposure with all other variables held constant as at September 30, 2009:

Percentage of change in Australian dollar	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%	\$ 248	\$ (248)
4%	495	(495)
6%	743	(743)
8%	990	(990)
10%	1,238	(1,238)

The following table shows the estimated sensitivity of the Company's net after-tax income (loss) for the nine months ended September 30, 2009 from a change in the British pounds exchange rate in which the Company has exposure with all other variables held constant as at September 30, 2009:

Percentage of change in British pounds	Change in net after-tax income (loss) from an increase in % in the British pounds exchange rate	Change in net after - tax income (Loss) from a decrease in % in the British pounds exchange rate
2%	\$ 37	\$ (37)
4%	73	(73)
6%	110	(110)
8%	147	(147)
10%	184	(184)

(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 has loans receivable of \$206. In addition, the Company's investments in convertible debentures and convertible notes are carried as though converted to common shares. As at September 30, 2009, the total fair value of these investments was \$1,664. The Company believes it is not significantly exposed to credit risk as these investments comprise 0.6% of the Company's total investments.

Pinetree Capital Ltd.

Notes to Consolidated Financial Statements

September 30, 2009

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

11. Financial instruments (continued):

(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 financial 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).

12. Segmented information:

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

13. Future accounting changes:

Recent accounting pronouncements:

- (a) The CICA issued a new accounting standard, CICA Handbook Section 1582, Business Combinations, which improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements regarding a business combination and its effects; CICA Handbook Section 1601, Consolidated Financial Statements, which establishes standards for the preparation of consolidated financial statements; and CICA Handbook Section 1602, Non-Controlling Interests, which establishes accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These new standards are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The Company is currently assessing the impact of these standards on its future acquisitions.
- (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. A diagnostic impact assessment report on the transition to IFRS has been completed and

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Notes to Consolidated Financial Statements

September 30, 2009

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

13. Future accounting changes:

the Company is in the process of preparing a detailed convergence plan which will be completed by the end of the current fiscal year.

- (c) June 2009, the AcSB issued the amendments to CICA Handbook Section 3862, Financial Instruments - Disclosures, which reflect the corresponding amendments made by the International Accounting Standards Board to IFRS 7, Financial Instruments: Disclosures, in March 2009. The amendments require additional disclosures about fair value measurements, including the classification of fair value inputs based on a three-level fair value hierarchy of techniques (quoted unadjusted prices, observable inputs, unobservable inputs), and about liquidity risk, of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009.

14. 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, 2009 consolidated financial statements.

15. Subsequent events:

- (a) Subsequent to September 30, 2009, the Company issued 2,000,001 common shares of Pinetree as consideration for the acquisition by the Company of all of the outstanding shares of Caymus Capital Corporation ("Caymus"), a private investment company incorporated in Ontario, Canada. The purchase price of the acquisition of Caymus was approximately \$2,980.
- (b) Subsequent to September 30, 2009, the Company acquired 2,550,100 shares of U308 Corp. ("U308") at an aggregate price of \$996, in exchange for 600,000 common shares of Pinetree in an off-market transaction. U308 is a Canadian uranium exploration company and a reporting issuer trading on the TSXV under the symbol "UWE".
- (c) Subsequent to September 30, 2009, a total of 756,250 broker warrants exercisable at \$5.30 per share expired.